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HANDBOOK OF RAILROAD EXPENSES

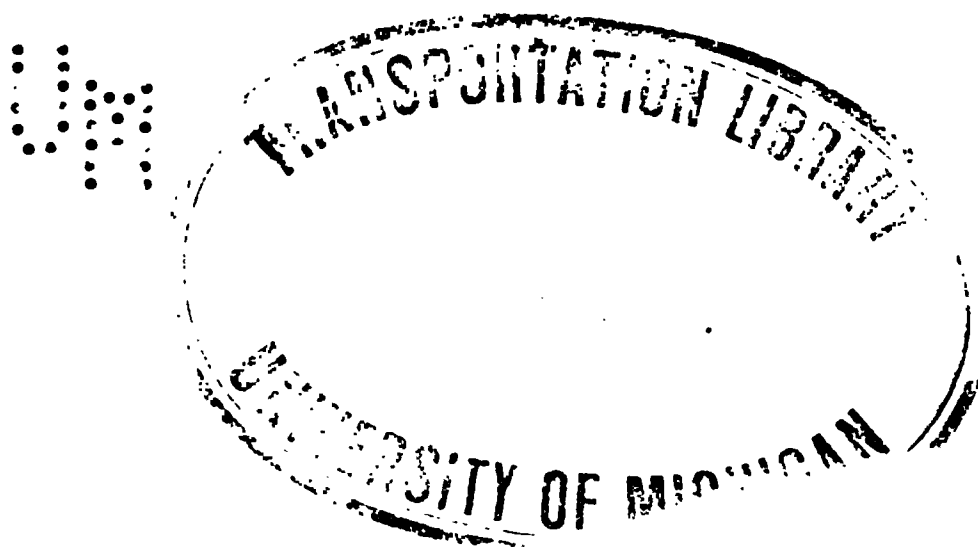
BY
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AUTHOR

"Railroad Operations: How to Know Them"

"Education for Efficiency in Railroad Service"



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PREFACE.

IN these days of the efficiency engineer, the arithmetic of a business has been given new emphasis. The practical man finds his "figures" indispensable; the financier, the publicist and the legislator must study their problems in numerical aggregates. To set out the complex processes of a large business in accounting and statistical totals that shall state the essential facts in logical order is no simple matter. The transportation industry, because it was the first to reach large proportions and because its conditions of operation were everywhere very similar, offered a first field for elaborate accounting and statistical analysis. The structure of this analysis is not accidental but is the product of long experience and careful thought. The act of 1906, which endowed the Interstate Commerce Commission with extraordinary powers, included a drastic provision for publicity. Wisely drawing upon usage and all sources of information the Commission has now set its seal to a system of accounting and statistics by which the facts of the transportation business of the country are set forth. Such a scheme of analysis of necessity discloses the anatomy of the railroad structure and the physiology of its operations in a fundamentally philosophical way. To the student of the railroad business it is indispensable as a chart that identifies and relates each of the complex processes. Its use is not limited to the accounting staff; every employee, regardless of his department, should be familiarized with the whole scale of operations of which his special duties are but a part. Nor should the scheme of accounting provided by the Interstate Commerce Commission be dismissed by the public generally as highly technical matter, interesting only to those engaged in

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RAILROAD EXPENSES

CHAPTER I

The present form of accounting and accounting statistics rendered by the railroads to the Interstate Commerce Commission, is the product of many years of experience and of most careful study. The problem has been to set out in analytical exhibits the complex processes of a great business. The whole railroad operation must be considered as a vast play of causes and effects; the cause is the effort or money spent, and the result is the revenue produced. To identify and properly to set each cause or group of causes against its effect in order to locate and weigh its particular contribution, requires intimate knowledge of all the processes. The statistical tables in their order and relation set out the whole philosophy of operations.

THE CAPITAL AND INCOME ACCOUNTS.

Any business reduces in essence to three terms—outgo, intake, profit. Outgo is the cause applied; intake is the effect realized; profit is the net effect sought. If all business were mere transaction or simple processes of making and selling a product at a profit, without use of tools or plant, our conception would involve no complications beyond these fundamental terms.

INTERSTATE COMMERCE COMMISSION TEXTS—REPRINTED
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So we see that capital expenditure, as distinguished from expenses, is at last an arbitrary conception. It begins with the idea that certain expenditures have an efficiency that reaches over many earning periods extending indefinitely into the future. But nothing physical would last so long, and its earning power might even have less permanence. To meet this condition we arbitrarily designate certain expenditures whose effect indefinitely outlasts the immediate earning period as "capital," and then in the same arbitrary way, through all subsequent vicissitudes, we hold them to their first value, by maintenance, renewal and depreciation charges which are borne by current expenses.

The I. C. C. provides three general groups of capital expenditure:—

- (1) Road (37 primary accounts).
- (2) Equipment (6 primary accounts).
- (3) General Expenses (6 primary accounts.)

It is recognized that a railroad property is constantly changing in form and value, so that the device of the Additions and Betterments account has been provided, through which to make the adjustments to capital account as they occur, to tabulate them in a memorandum classification and to throw them over to the final classification of Expenditures for Road and Equipment, on the completion of the year or of the job.

Capital. Capital account is simply an inventory, at a valuation, of the physical property and intangible assets. The theory of capital, as we have seen, is that it is an investment,—an outlay once and for all time of a specific amount for a definite physical property (or an exactly defined intangible property), and it is essential to its nature that this relation between the thing—or the designation—and the value be not disturbed. In the processes of deterioration and the play of the forces that determine values, this relation from the first

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But business such as a railroad involves the use of a plant. Part of our outgo is for the creation of the plant, which is, as it were, an intermediate stage to the product,—a stage which must be set up and maintained. It cannot be instantly converted into cash but comes back in the form of increments of value produced, called net revenue (the excess of revenue over current expense). Enormous values are thus held in permanent suspense, as it were, in the form of capital expenditure which can never again be converted into liquid values except in the form of the annual increment of profit. The cycle from outgo, through intake, to net intake, develops, in this way, into a very long and complex one. When the amounts involved grow to be so enormous, and when the return is so far removed and is conditioned on the efficiency of so many intricate processes it becomes very vital to understand and define the expenditures which fall into this class of suspended values or investment called Capital. They must be sharply defined from that form of outgo called Expenses.

Capital expenditure, as distinguished from expenses, is primarily for the creation of a physical plant or tool to be maintained at a physical efficiency. This idea is further expanded to include the notion of maintaining an original capital value on the books at an economic efficiency,—that is, an income producing efficiency. From this, it is but a stage to pass over to the conception of a valuation set up as capital which may or may not be directly embodied in any physical plant, but represents the capitalized equivalent of an established earning power. The expense of maintaining the intangible as well as the physical capital at its original productivity is a part of the current cost of producing earnings, and is sharply distinct from the original expenditure itself, which produced a value to be maintained at its fixed figure as a permanent investment, (except as it is deliberately destroyed or added to) representing a fixed relation to current income.

So we see that capital expenditure, as distinguished from expenses, is at last an arbitrary conception. It begins with the idea that certain expenditures have an efficiency that reaches over many earning periods extending indefinitely into the future. But nothing physical would last so long, and its earning power might even have less permanence. To meet this condition we arbitrarily designate certain expenditures whose effect indefinitely outlasts the immediate earning period as "capital," and then in the same arbitrary way, through all subsequent vicissitudes, we hold them to their first value, by maintenance, renewal and depreciation charges which are borne by current expenses.

The I. C. C. provides three general groups of capital expenditure:—

- (1) Road (37 primary accounts).
- (2) Equipment (6 primary accounts).
- (3) General Expenses (6 primary accounts.)

It is recognized that a railroad property is constantly changing in form and value, so that the device of the Additions and Betterments account has been provided, through which to make the adjustments to capital account as they occur, to tabulate them in a memorandum classification and to throw them over to the final classification of Expenditures for Road and Equipment, on the completion of the year or of the job.

Capital. Capital account is simply an inventory, at a valuation, of the physical property and intangible assets. The theory of capital, as we have seen, is that it is an investment,—an outlay once and for all time of a specific amount for a definite physical property (or an exactly defined intangible property), and it is essential to its nature that this relation between the thing—or the designation—and the value be not disturbed. In the processes of deterioration and the play of the forces that determine values, this relation from the first

instant is exposed to change. It is the function of expense to maintain this relation by absorbing in itself the costs of the physical maintenance or the losses by obsolescence, or declines in value through other causes.

In aggregates of value so vast, resting on economic conditions so complex, there must naturally be large play, up and down. In this relation of assumed value to actual value no absolute and finally reliable rule is at hand for exactly offsetting the processes of change as they occur. The result of all this is that the values of capital and other large asset accounts at any one time are at best but an approximation, and at times these values must be restated by making large additions to or deductions from first figures. The scheme of accounts contemplates this. It provides that such adjustments may be made through Profit and Loss because the conditions that give rise to the adjustments are not closely related to the operations of any one year, and it leaves these general adjustments to the discretion of the railroad management, provided only that they shall be "satisfactorily tested by an authoritative or approved inventory of the property" (Case 498).

In addition to the adjustments of capital due to reinventorying the property, there are miscellaneous adjustments of capital and asset accounts by specific individual instances such as: disposition of belated back bills (Cases 379, 437, 457), long standing bad accounts (Cases 588, 589), unclaimed wages (Case 457), premium on redeemed bonds (Case 576), corrections of old accounting errors (Case 582), deficiencies in insurance or replacement funds (Case 621), expense of abandoned construction (Cases 519, 524), accumulations of old scrap (Case 514), appreciation of special parcels of realty (Case 585), or of securities (Case 596), abandonment of obsolescent property (Cases 549, 552).

These adjustments are all effected through Profit and Loss account. The charges to Profit and Loss to dispose of back bills

of previous years (when so large as to impair comparisons), or to correct large errors in the accounting of previous years, or to dispose of the cost of abandoned property require the specific authorization of the Commission. The charges to effect the other adjustments belong to the current order of business and are left to the discretion of the individual carrier.

Income Account. Eliminating from consideration "Expenditures" which create permanent values that are set up in capital account on the books, and also eliminating from our thought the intake of cash by sale of assets we will hold our attention severely to the current processes of outgo and intake which constitute the current operations of a railroad.

The railroad is built to make money: All its multifarious phases and detail of operation must be justified at last by the test of contributing to the net income of the property. The final point where these contributions, great and small, at last are registered is the Profit and Loss account. But the idea of current productivity of invested capital renders necessary a statement of the results of operation by time periods at least once a year. For this purpose there is devised an *annual* profit and loss account called the Income account. The form of the Income account is given below:

INCOME ACCOUNT.*

OPERATING INCOME:

Rail Operations:

Operating Revenues.

Operating Expenses.

NET OPERATING REVENUE (OR DEFICIT).

Outside Operations:

Revenues.

Expenses.

* For exact revised form of Income and Profit and Loss Statement, see I. C. C. text of statement, p. 221 of this book.

RAILROAD EXPENSES

NET REVENUE (OR DEFICIT).

NET RAILWAY OPERATING REVENUE (OR DEFICIT).

Railway Tax Accruals.

RAILWAY OPERATING INCOME (OR LOSS).

OTHER INCOME:

Income from Lease of Road.

Other Rents—Credits:

(a) Hire of Equipment—Balance.

(b) Joint Facilities.

(c) Miscellaneous Rents.

Net Profit from Miscellaneous Physical Property.

Separately Operated Properties—Profit.

Dividend Income.

Income from Funded Securities.

Income from Unfunded Securities and Accounts.

Income from Sinking and Other Reserve Funds.

Release of Premiums on Funded Debt.

Contributions from Other Companies.

Miscellaneous Income.

TOTAL OTHER INCOME.

GROSS INCOME (OR LOSS).

DEDUCTIONS FROM GROSS INCOME:

Deductions for Lease of Other Roads.

Other Rents—Debits:

(a) Hire of Equipment—Balance.

(b) Joint Facilities.

(c) Miscellaneous Rents.

Miscellaneous Rent Deductions.

Miscellaneous Tax Accruals.

Net Loss on Miscellaneous Physical Property.

Separately Operated Properties—Loss.

Interest Deductions for Funded Debt.

Interest Deductions for Unfunded Debt.

Amortization of Discount on Funded Debt.

Transfer of Income to Other Companies.

Miscellaneous Deductions.

TOTAL DEDUCTIONS.

NET INCOME (OR LOSS).

DISPOSITION OF NET INCOME:

Appropriations of Income to Sinking and Other Reserve Funds.

Dividend Appropriations of Income.

Appropriations of Income for Additions and Betterments.

Appropriations of Income for New Lines and Extensions.

Stock Discount Extinguished through Income.

Miscellaneous Appropriations of Income.

INCOME BALANCE TRANSFERRED TO CREDIT (OR DEBIT)
OF PROFIT AND LOSS.

Into this Income account pour all the causes and effects which belong to the period which it covers,* and only their final net effect is later carried over into the general Profit and Loss account.

Operating Receipts and Disbursements: Intake and Outgo. A few simple principles run through the intricate mass. The railroad in order to take in money must first put out money. The outgo offsets the intake as cause offsets effect. Between the general intake and the opposing general outgo, intervene the plant and the processes of operation. The distinction between outgo and intake is everywhere present and forms the first basis of classification. We shall see how intake itself subdivides into revenue and income. The cleavage between revenue and income is determined by the relation of intake to outgo: that intake which is offset by current outgo is called "Revenue"; that

* Certain charges which cannot be identified against the classification of expenses it is permissible to carry to Profit and Loss directly, although they may belong to the current year (Cases 398, 514, 519, 524).

intake which has no offset of current outgo to produce it (or from which the offsetting current outgo has been previously deducted) is called "Income."

We shall find that the ruling characteristic of the items of either outgo or intake is that each *with every other of its class* bears the same general relation to the other side *as a whole* and not to any one part or item of the other side. When, as sometimes happens, any item develops a specific offset among one or more items of the other side (less than the whole) it drops out of the *general* class of intake (or of output, as the case may be) and becomes a direct deduction from its apposite. This condition, we shall see, accounts for "Deductions from Revenue," "Credits to Expenses," and "Outside Operations."

Intake is known to have a usual relation to outgo as it is supposed to be the price realized for service rendered. On this assumption significant deductions are made from the figures of intake alone (as gross earnings per mile of road), or the figures of outgo alone (as expenses per mile of road). These deductions would plainly be invalid to the extent that the assumption did not apply, although the net effect of intake, less outgo, might be undisturbed. Therefore the I. C. C. accounts make a primary broad distinction between intake (revenue) and outgo (expenses), and do not permit transactions to be recorded as intake or outgo unless public service is involved in the transaction. "The classifications of Operating Revenues and Operating Expenses are based throughout upon the idea that nothing is to be included as an expense which does not represent a payment made or actually to be made, and nothing included as a revenue which does not represent revenues actually earned. Obviously, a carrier cannot collect from and pay to itself, and to charge Operating Expenses and credit Operating Revenues with rents of the houses in question would overstate both Operating Expenses and Operating Revenues, to the extent of such entries" (Case 488).

From intake (revenue) and outgo (expenses) is evolved the third term of *net* intake or *net* outgo. To the extent that the intake exceeds the outgo it is net intake, or profit. The final intake is cash, but leading up to the stage when the railroad may actually collect cash, are the manifold antecedent processes, each serving as a link to the next higher, in which the intake is product measured in units that are useful in the next stage of the process.

These subordinate net effects may be produced at any miscellaneous point throughout operations, but only at one point can there be a *true net effect*, and that point is the point of *real profit*,—or loss.

It is the problem of the accountant to hold in coordination, through the advancing sequences, the figures of outgo and intake, so that, for as much as they record, they yield the true net effect and not merely a partial net difference. There is much inaccuracy in the use of the word "Profit." It is used loosely to describe the amount of any intake in excess of its directly offsetting outgo. For instance, a bill rendered may include an arbitrary allowance of fifteen per cent for overhead charges above the actual labor costs. This excess is sometimes improperly called "profit," whereas it is merely the offset to overhead charges for supervision. But because it is not credited to that account it appears as an excess over the actual cost of the labor cleared through the regular expense classification, and is therefore wrongly considered a profit on the labor. When the bill rendered further includes allowances above direct expense, which in reality represent use of plant, as rent charge, we are again misled into calling such charge a profit, simply because it is not carried to the credit of rents. The only real profit is that which is the product of the entire cycle of railroad operations as a class, and of the railroad plant as an entity. Such profit is the net result arrived at by deducting the grand total of outgo from the grand total of intake.

In order that a particular bill rendered shall contain in it the factor of real profit it must include:

- (1) Reimbursement for actual cash outlay.
- (2) Its proportion of the burden for overhead charges of administration.
- (3) Its proportion of the burden of interest or rental for borrowed capital used or plant hired.
- (4) A surplus above all these charges which constitutes profit.

The railroad operates primarily to realize a profit from *transportation*. Any other service performed is incidental and even at times merely a matter of accommodation. The "profit" of such irregular service is practically a reimbursement of unlocated expense, and not a real operating profit. It is generally an arbitrary charge to cover such reimbursement. For convenience the direct cost of the service together with the arbitrary charge (or a "profit," miscalled) for the unlocated expense of supervision and use of plant, is included as a single figure and cleared through expenses. This practice is specifically approved by the Commission in Cases 246, 262, 274, and 538. The general characteristic of the bills in the cases cited is that the "profit" is an irregular incident of the service in connection with which the profit arises, while the service itself is more or less a fixed feature of the railroad's general service, and not easily detachable. Whether the service result in profit or loss is determined by conditions more nearly related to the conditions that control expenses as a whole than by those that control revenue as a whole, and therefore, whether profits or losses, the charge classifies with expenses.

In case of regular large bills, as for joint facilities, the charge is decomposed into operating, maintenance and administrative expense, and rents; and the credits are severally applied to each until the "profit" has been entirely absorbed

(Cases 116, 117, 120, 121, 268). The decomposition of a bill is an arbitrary process to separate the amounts belonging to expenses, maintenance, rent and profit. While it is encouraged in joint facilities bills it is not encouraged in the case of a bill to the express company for facilities or service, unless in the express contract is designated an amount for rent. Such designated amount would be immediately credited to the rent expense of the railroad, and the balance would remain in the express revenue account. In the absence of such stipulated rent charge there would be no effort to decompose the credits arising from the bill, but the total would be carried directly as a whole to Express Revenue (Case 119).

Intake,—Revenue, Defined. In so large an operation as a railroad the revenue produced is the result of a great body of preliminary and intermediate causes, many of them very indirect. *All* of these causes together are necessary as a class to the production of the revenue; or all of them are so interrelated and joined that no one could be logically detached from the rest and set against its specific result or revenue. Revenue, then, is that intake which is realized through the use of the whole body of causes or outlay, not from any one. Revenue intake is distinguished from the intake by rents, or dividends and interest on securities owned, by the fact that these latter require no expenses to produce them. Revenue intake is the intake incident to the performance of service for an intended profit and is not the mere intake of cash by conversion of assets.

Deductions from Revenue. When less than the entire body of causes as a class is involved, and the revenue realized is a special revenue, the result is a special operation. Thus, referring to cold storage plants, it has been ruled (Case 142): “If the refrigeration operations can be treated satisfactorily as an outside operation—that is to say, if a fairly accurate determination of the cost of maintaining and operating such refrigeration operations can be made (i.e., if a separation from the general

body of costs can be made) the amounts charged for refrigeration in warehouses should be credited to Outside Operations—‘ Cold Storage Plants.’ ”

If the expense to produce a revenue is absolutely separate as a class from all other expenses, and affects no other revenue, then it becomes a deduction from revenue because it cannot possibly be set against any other “ result ” at any other point. When large “ profits ” are realized on materials and supplies, these profits are of a special character,—the expense to produce them (i.e., the cost of the material) applies directly to the specific intake on these materials and to nothing else. It is therefore directly deducted from the price realized, and the net amount only is taken up as revenue, or as a part of the general intake of the property. When sale operations producing such profits are regular and the profits large the operations should be treated as Outside Operations* (Cases 584, 598).

Deductions from Revenue, as illustrated in the two cases above are justified when a specific cause (item of cost) is so separable from the general body of causes (or expenses) to produce revenue that it may be drawn out and set directly against the particular revenue which it produces. When the revenue also is separable from the general revenue as a class, it is but a step further to draw off the revenue from the general revenue into an Outside Operations account and set its specific revenue against it. On this plan certain designated Outside Operations have been set up by the Commission.

The I. C. C. is very cautious in permitting any deductions from regular revenue because such deductions offer the chance for concealment. But a switching charge “ absorbed ” in the rate in order to get the business is plainly a deduction from revenue. “ The theory upon which the accounts of operating revenues prescribed by the Commission have been established, is that the aggregate revenue of all carriers should represent

* For fuller discussion of Outside Operations, see p. 205 et seq.

total freight charges assessed against shippers on the basis of tariffs." By this precaution an open tariff rate is automatically carried over from the tariff sheets into the accounts, and no shipper can be treated differently from any other shipper because the only concession possible is in the form of a service whose expense must be set out in the body of expenses in the other side of the Income account.

But there is a class of disbursements such as payments for "switching absorbed," which payments are not related to any other revenue than the particular revenue to which they apply, and therefore are deducted at once and are not included among the body of causes to the general revenue which constitutes the expenses. In effect the revenue in which switching is absorbed is not created until after the rate has been reduced to the point of absorbing the switching because the freight would otherwise move by the competitive route. "Such charges [when the switching company does or does not participate in the revenue] should be charged to revenue account No. 1, Freight Revenue" (Case 218). In fact such deductions from the revenue are practically divisions of a joint rate, the "switching absorbed" being practically the proportion of the through rate *accruing* to the switching carrier. The following ruling, with reference to the transfer of passengers is a case in point: "Passenger Revenue" should be charged "with amounts paid to local transfer agents or companies when the cost of the transfer is included in the rate and has been credited to 'Passenger Revenue.' The exception refers to instances when the cost of the transfer is provided for in the division of the through rate and credited directly to the transfer agency" (Case 320).

But all payments in connection with handling what may at first seem to be a specific business are not deductions from revenue, because they do not in reality serve a specific, separable business. Thus, "Switching charges on empty cars when not in connection with loaded movements, should be charged to account

Other Expenses under Transportation Expenses ” (Case 218).

“ Query: This company owns a wharf at which boats are docked and freight transferred between the cars and ship’s side. We have a contract with a warehouse company for transferring the freight at a stated amount per ton. To what account should this expense be charged?

“ Answer: Assuming that the rates or division of rates received by a company apply to and from ship’s side, the expense of transferring freight should be charged to Account No. 63—Station Employees ” (Case 517).

In the two cases next above, we have illustrations of services which may be more or less identified against specific revenue but which belong to the general class of things done in the general operation of the road, and they cannot be arbitrarily detached and taken out of the classes to be set against a specific revenue. The distinctions, however, are not always as clear as in the above illustrations,—“ When the empty movement is in connection with the loaded [i.e., revenue] movement and wholly incidental thereto, the amount paid therefor should be charged to revenue account No. 1, Freight Revenue ” (Case 218). Or again, when a carrier, instead of performing the service with its own power, finds it more convenient to pay an industrial concern a rate set forth in the railroad tariff to perform this service for itself, the distinction is hard to draw between what is a deduction from revenue and what is an item of expense. In the latter alternative it has been ruled that payments made shall be accounted for as deductions from revenue (See Case 220).

Payments for elevator charges of which note is made in the tariff are practically refunds to the elevator companies of collections made for their account, and therefore should be deducted from freight revenue where the gross collection was first carried (See Case 219).

Intake,—Income, Defined. The intake that is produced by expense (outgo) and is called revenue has been discussed above.

The intake that is not produced by expense (or from which the expense has previously been deducted) constitutes a different class. It is a proper offset to interest charges which are deducted from it. It is called income. It falls under the two general heads of

- (1) Operating Income (the revenue after expenses and taxes have been withdrawn).
- (2) Other Income—such as
 - Rent of property owned.
 - Profits on property owned but operated separately.
 - Dividends on stocks.
 - Interest on bonds owned.

These items represent the return on property owned for which the offsetting carrying expenses is interest charges. In addition to the items above, which require no explanation, there may be miscellaneous current intake such as a general unlocated credit that is neither net revenue after deducting expenses, nor rent, nor dividends, nor interest. For instance, after an industrial track which has been charged to property has been completed, the industry pays the railroad \$500 to cover the cost of labor in laying the track, while the title to the entire spur is retained by the railroad. “\$500 received should be credited to an appropriate account under ‘Income’ ” (Case 523).

Outgo,—Expenses and Charges, Defined. If the whole operation of the railroad is kept clearly in mind as merely the play of cause and effect,—of causes having various ranges of effect and effects related to local or more general causes; and if we hold to the conception of outgo (expenses and charges, and capital outgo) as the cause to produce intake or revenue and income, we very early find that the outgo falls into two distinct classes with reference to the intake it avails to produce. The outgo that extends to an indefinite range of intake does not have

to be repeated,—it is made once and for all time; but the outgo that is related to only one intake or to a limited range of intake must be periodic, continual and repetitive; it is current, whereas the other is final. In illustration of this, at the one extreme is the wages and supplies expense to move a special revenue train over the road. Such expense has no relation to any other special train or to the body of general train service, but must be paid for out of the revenue of that special train, if paid for at all. At the other end of the scale is the outgo to build and equip the railroad, which we have discussed under Capital. This outgo, as we have seen, cannot be set against the revenue of any particular ton mile, or of a special train, or even of a particular year, but renders possible the operations of the whole road over a long series of years. Between these two extremes of specific direct relation to a specific revenue at a specific time and a general relation to all the revenue over an indefinite series of years, is every possible stage of differentiation.

The general notion of a continuing productivity of a fixed property, as already noted, quickly divides the outgo into these two classes, of expenditure (investment) and expenses, using “expenses” in the broad sense. Investment being a permanent thing, its only relation to a current period is the expectation of return on the capital invested at a usual rate. The investment charge itself is set up in Capital account, while the Profit and Loss account, or its annual derivative, the Income account, has to deal only with those outgoes which are not capitalized because they are not offset by a permanent physical property or continuing values.

Outgo must be made before the intake can be had. The outgo is based upon certain assumptions, apriori reasoning; it is based on an expectation of return. Outgo is *designed* to produce intake, but it does not always produce it in the way or in the amount intended. In other words there is inseparably an arti-

ficial factor in designating an outgo under a classification based upon the assumed relation of this outgo to intake. This artificial factor must be frankly recognized in stating capital and classifying expenses, for it reaches to wide social consequences. Not all capital is permanently productive or continually productive or even productive at all. Enforcing the artificial distinction between capital outgo and expense outgo is the most delicate function of the Classification of Expenses. The distinctions set up are at the last avowedly arbitrary. Thus it is ruled that in the course of construction of a new railroad, the outgo ceases to be capital outgo and becomes current or expense outgo at some arbitrary instant when the property is "accepted for operation" (Case 317). Or again, referring to a road in process of construction it has been ruled that it becomes an operating road with reference to any particular portion of its line "as soon as that portion [section] has reached such a stage of completion that operations are the main portion of the business carried over such portion [section]" (Case 115). But the Commission is particular not to predetermine this exact time by any ruling it has made (Case 438).

Having, in this way, set out to itself as "Capital" the outgo which is made once and for all time, we have left the outgo which is periodic, continual, current,—grading down from that whose effect reaches over so many years that its distinction from capital investment is not always clear, to that whose effect is consumed from day to day; as the price of the pint of oil used on a particular engine run. Here again, in current outgo itself, a broad division is made at the outset into that outgo which is the charge for *use* of property or invested capital, and which is paid for as rent or interest (charges), and that outgo which is for upkeep and operation, and is called "expense." The former class is designated as "deductions from income"; the latter class, as "expenses," is divided into the elaborate classification of which this book treats.

Outgo—Expenses. This is the direct offset to current intake. Part of it is directly applied to produce the intake, e.g., wages and supplies, which are expenses with no deferred factors. Part of it is applied indirectly, through the maintenance of organization, plant and tools. Because of this different relation to current intake, the primary basis of grouping the expense (outgo) into classes, is the *period affected*, and not the scope of things done. In other words, the operations are, for the most part, considered as an entity at any one instant, and we classify the outgo as having different degrees of flexibility or control with reference to any particular instant or period.

With the elaboration of the processes of an industry and the growth of its plant, the maintenance part of its expenses (which is that part whose effect is deferred) assumes greater and greater predominance. (The function of expenses is to make good the wear and tear of plant to produce the intake revenue.)

The plant to be maintained is, first, a physical thing of different parts which wear and deteriorate at different rates with reference to use, to extraneous conditions, and to time. But while the plant is a physical thing, it is in essence a *functioning* thing in the process of producing intake. Ultimately it is not a thing, but a continuing function—or one designed to be continuing—that has cost original capital outgo to set up, and which expense outgo must maintain at its original efficiency. The expense of repairing and renewing it is the physical maintenance of it by tangible physical applications. To these is added a third kind of maintenance called depreciation which maintains the functioning thing in respect to those effects that are intangible, that cannot be located against specific parts but are general to the whole,—such as effects of age. The processes from which these effects arise are so minute, insidious and imperceptible, that we know them in their final outcome rather than in their instant phases. From “experience” we deduce the law of their operation and allow for it empirically on basis of formula

from month to month or year to year. "Depreciation," which takes care of those elusive *physical* processes, naturally becomes the account where is charged the maintenance against obsolescence which is deterioration of function. This is *economic* deterioration.

Deductions from Expenses. When any intake is specifically related to a particular outgo, and to that outgo alone, it should not be embraced in the same group with the intake that is related to the general body of outgo. That is, applying this principle in the terms of the accounts, if we have a revenue which is the product of a particular expense and no other, and does not spring out of any conditions that classify it with any other revenue that is the product of other expense, then it is a revenue local to that particular outgo, and accordingly should be deducted from this expense because it is the direct cause creating this expense. Such a transaction involves something less than the whole plant and the entire cycle of operations as a class, and the *net* effect only is incorporated in the general accounts. For instance, if a particular locomotive realizes a value above the book value, this appreciation, it has been ruled, is not the product of the property and its operations as a whole but represents the accumulation of excess charges previously made to expenses and is therefore credited to expenses (Cases 351, 536).

Outgo, Expenses—Outside Operations. Certain operations are located which separate in part, in a natural way, from the body of the operations as a whole. It is found that their revenue may increase or decrease without disturbing the revenue of the road as a whole, and that their expenses, that produce this particular revenue, are separable from the expenses that produce the revenue of the road as a whole. By this description they are defined as entities. It is therefore but a natural recognition of this real condition that classifies them as Outside Operations.*

* See page 205 et seq.

If they were merely temporary phases or incidents of the operation (Cases 246, 262, 584) it would not be worth while to set them up in special accounts, but their specific revenues would have been deducted from the offsetting expense, and any surplus would have been left to apply as a credit in that expense account where it occurred, upon the theory that it was an irregular or inconsequential condition that served so far to reduce the normal expense at that point.

Deductions from Gross Corporate Income (Charges.) This constitutes a form of outgo of a more general range than expenses. It is mostly a fixed charge, therefore highly inflexible. Under it classify rents and interest paid, losses on separately operated properties, sinking fund payments when charged to income, and like items.

Rents. As the term "rents" is here used, it describes the payments made for the use of property or facilities, sometimes to include the maintenance of such property and facilities, and sometimes, still further, to include incidental service also (Case 372). Rents, if a disbursement instead of a revenue, are handled, with interest, in the form of deductions from income and not as expenses. Therefore they are not a part of the subject matter of which this book treats except so far as to distinguish them from expenses.

Rent is one of the regular forms of disbursement distinguished on the one hand from interest payments, because it is a payment for use of a property and not for use of money, and distinguished, on the other hand, from a license (Case 128), which has not the formality of a tenancy. It may without prejudice include taxes (Case 285), and under certain circumstances it is interchangeable with city license payments (Case 122). It represents the cost of making good the deficiency in facilities owned. When it occurs in regular and large amounts it becomes worth while to preserve it in its typical character, and the charge is therefore carried to rents paid, which is among the deductions

from Income account. But where it is a small or irregular incident, it is charged directly as an expense to the class of work which it serves. "As a general principle, payments for the use of property or facilities required by a carrier are considered proper charges to Income. Exceptions have been made for offices and station buildings rented" (Case 564, see also Cases 35, 345 and 638).

It is sometimes necessary to arrive at the rent charge by arbitrarily decomposing a bill. In case of joint facilities where the bills are regularly recurrent and of significant amount and where the other company is a common carrier, this breaking down of lump bills is prescribed, but in case of the bill rendered the express company by the railroad, because the amount of the rent was not specifically stated in the contract, it was ruled that it was unnecessary to attempt a separation of rent. To make the "rent proportion" of a lump bill it has been ruled that the estimated expenses and maintenance must first be deducted, and the remainder is credited or charged to "Rent" (Case 371; see also Case 408).

Hire of Equipment. Equipment is in units of fairly standard type; furthermore, in the case of freight cars whose hire forms the largest part of the charges and credits to this account, the equipment moves freely from point to point to meet demand; a freight car on a foreign line tends to create the necessity for borrowing a foreign freight car on the home line. For these reasons the rent of equipment is set up under a special account, "Hire of Equipment," and this is handled as a net account, inasmuch as this credit tends to set up its offsetting debit.

The emergency use of hired equipment at a wreck is charged to "Clearing Wrecks" instead of to "Hire of Equipment," because it is a temporary and local use (Case 243). In the same way the hire of an instruction car is charged to "Transportation Expense,—Superintendence" (Case 254), and not "Hire of Equipment."

Interest. The form of outgo called interest is easily understood. While rent is the hire paid for the use of property not owned, interest is the hire paid for the use of money or for the use of so much of the plant as the funded and floating debt represents.

Application of Principles in Income Account and Classification of Expenses. Incorporating the foregoing principles the Income account is evolved. First, against the intake of revenue is set the outgo of expenses to produce it, and the net operating revenue ("profit") is made. To this is added the net result (profit or loss) of Outside Operations to make the net revenue (operating "profit" less taxes). Then is deducted "taxes," which, because of its inflexibility is different from "expenses" and also different from first charges.

The figure thus produced is the operating "profit" before the first charges have been deducted. It is specifically called "Operating Income." It is the income derived from operation as distinguished from that derived from rents, profits and separately operated properties in form of dividends and interest on securities owned. These latter involved no current expenses to produce them; they are designated Other Income.

Operating Income is consolidated with Other Income and from their sum is deducted the rent, the interest and like charges to produce the "Net Corporate Income" which is the final true profit of the property.

The foregoing conceptions of expenses, revenue and profit, capital, income and net income, constitute the ground plan out of which is worked the schedule of accounts that sets out intelligently the story of the railroad's operations. When the expense disbursements verge upon the character of capital expenditure those individual items which are distinctly capital expenditure are withdrawn from expenses through the Additions and Betterments accounts, where they are carried in a memorandum classification for purposes of current study, and at the end of the

fiscal year (or shorter period) are gathered up into a total, and permanently lodged in Capital account. The elaborate accounting and statistical tables constitute the mechanism by which each of all the myriad and various transactions of the year is gathered up as by a dragnet and carried forward in unbroken sequence to the final stage of stated profit.

The Classification of Expenses defers to the essential scheme of the physical property, its organized forces and its plan of operation. It separates the rolling stock from the permanent way and structures, and makes a distinction between the line of road and the terminals; it groups the forces into maintenance, operation, and general supervision, distinguishing the administrative gradations throughout the organization.

In its present form it neglects the distinction between passenger and freight service (where separation is possible), and the further obvious distinction between main line and branch line. These, however, are refinements which the individual carrier will make for its own information

GENERAL CONSIDERATIONS.

Authority. " All accounting matters must be disposed of in conformity with the principles embodied in the orders of the Interstate Commerce Commission. Subject to this limitation, where not covered by such orders, they may be disposed of according to the judgment of the carrier " (Case 1). The classification of accounts is supplemented by Accounting Bulletins interpreting the classification in the large number of cases submitted for ruling. These rulings embody the conclusions of the Bureau of Statistics and Accounts, and should not be interpreted as meaning that the Commission is not at liberty to modify its own orders (Case 451). The regular Bulletin is supplemented by Accounting Series Circulars which include cases " the answers to which are regarded as subject to possible modifica-

tions.” However, until superseded they constitute the existing rulings of the Commission. A few general principles are laid down which serve as a guide in the application of the classifications.

Keeping of Accounts and Statistics. The accounts are “prescribed for the use of carriers by rail (exclusive of electric railways) subject to the provisions of the act to regulate commerce as amended June 29, 1906.” Operations of roads not common carriers are specifically excluded from these accounts (Cases 383, 636). The railroad officers are held for the correct application of the rules in the keeping and recording of the operating expense accounts, and it is unlawful “to keep any account or record or memorandum of any operating expense item except in the manner and form” prescribed, save only that they may subdivide the primary accounts here prescribed for their own purpose provided the list of the sub-primary accounts be duly filed with the Commission. They are also permitted to keep temporary or experimental accounts provided such accounts do not impair the integrity of any prescribed general or primary account, and that they shall be open to the inspection of the Commission at all times. In the application of this order it has been ruled in respect to the form of general balance sheet, “It is not required that the accounts prescribed in this classification shall be kept by name, and those only; but that the accounts necessary to record the transactions therein prescribed be kept, and it is permissible further to keep such accounts as may be necessary to make whatever analysis a road may require of the balance sheet entries” (Case 544).

Capital. Capital must not be impaired; the amount of it may be increased or decreased according to contingencies of the business, but the rate of productivity should be fairly constant per dollar of the capital invested. Under perfectly free competition, in the groupings of economic forces, as they may be freely made, the return on the capital devoted to railroad business is

controlled by competition of other capital for the same return. It therefore will be exposed to wide variations,—according as the field is now overcrowded and now undeveloped. Under sharp competition the tendency will be to neglect the return upon capital previously invested and in this way to work large injustice to investors whose money, once devoted to railroads, cannot be recovered. These conditions that produce additions and reductions of capital will be marked up on the books as they individually occur at their estimated effect. This estimated effect is crude, and besides, many effects must pass unnoticed. Such effects of unrecorded tendencies, in course of time, work large changes to impair or enhance the productivity of first capital, and it becomes necessary to revalue the entire property directly upon the basis of the conditions as they exist at a given time. The accountant cannot question the equity of the conditions which may have wrought special loss or gain. His discretion extends no further than to state exactly the present value of the property which is a resultant of these conditions, good or bad, just or unjust. But the court is competent to discuss considerations of equity and public policy which are beyond the discretion of the accountant.

It is become public policy to restrict the competition of railroads by limiting the construction of new lines to those that are deemed to be of reasonable public necessity, and furthermore, in the regulation of rates, the commissions take cognizance of capital as a factor of ultimate cost. In the determination of the reasonable public necessity and of the fair return upon capital, and the fair estimate of what the capital actually is, there is an effort to protect invested capital, as well as the public, by injecting considerations of equity which unregulated competition and formal accounting would necessarily neglect. For instance, the formal accounting makes no provision for capitalizing deficits during years of development. A pioneer road is much more expensive to build than would be a later competitor.

An old road may have had to bear large losses in the rapid changes of standards which the latest constructed road can avoid. One property may have been built in a time of money stringency and another when capital could be had upon easy terms. The aggregate deficits over a series of lean years are a proper offset to the liberal returns in any particular prosperous year. All these are factors which enter into the equity of rate making, but except for the provision for abandoned property and deferred charge of discount and commission on securities sold—devices to spread such effects evenly over many years—the accountant is not permitted to make any allowances.

Depreciation. Depreciation is the charge made for deterioration in values of specific parts of a physical plant. The Commission permits wide latitude and discretion to individual railroads in naming the amount which may be considered to be depreciation, but it lays down the principle that charges on some formula must be made. It confines its enforcement of this rule to the rolling stock. This is probably upon the theory that the rolling stock or equipment consists of entirely separate units, whereas in the case of the way and structures a considerable neglect of any one part would impair the operating efficiency of the whole, so that renewals could not be slighted, as is possible in equipment. There is also the further reason that equipment lends itself easily to the use of depreciation formulas because it classifies under a limited number of very definite types.

The depreciation charge would seem to be limited to the physical deterioration of specific physical units. But there is the additional depreciation through the processes of obsolescence of function for which a provision is made, though not so specifically,—as, for instance, by the Abandoned Property account and the arrangement of dropping equipment to lower classes as it passes down the scale of usefulness.

The entity which becomes obsolescent is itself composed of

subordinate units which may not only be in physical, but in full functional efficiency in their relation to the other subordinate units which together constitute a whole. Thus a locomotive may be in good physical condition and its parts may be in good physical condition,—each performing its function in full efficiency in relation to the other parts, while the locomotive itself is of a type which has become obsolete. Or again, a tunnel has been abandoned by construction of a new route about a mountain barrier. The tunnel itself is in good working condition, but it ceases to be of any use to the railroad as a whole. And to carry the illustration a little further, the entire roadway and rolling stock of a given branch line may remain at full efficiency both physically and in function, but the mines which they served having been exhausted, their earning or final economic efficiency is wiped out. It would be difficult to anticipate by fixed formula the depletions of value ranging, as illustrated, all the way from physical depreciation to economic obsolescence that wipes out the earning power of an entire section of the road. For this reason the Commission apparently limits its theory of depreciation to physical depreciation, leaving it to the discretion of the carrier to anticipate functional obsolescence in a general way in case of rolling stock, but reserving for its own authorization through Abandoned Property account the more extensive and irregular kinds of obsolescence.

The processes of obsolescence and the offsetting additions and betterments, broadly viewed, are analogous to wear with its offsetting maintenance. The loss of function of a given physical type by obsolescence is offset by an addition of function to maintain the *status quo* by means of additions of new types or betterments of existing types. When the wear and renewal mutually offset each other without disturbing the existing physical type the maintenance is charged to expenses. But when extensive change of type is involved the theory is that the outgo of the old thing and the incoming of the new thing should each be sep-

arately recorded. Though this may be a definition of the principle in force, in its application there would be wide latitude of method.

Reserves. In strict adherence to the theory that an exhibit should *exhibit* accurately and unequivocally the facts of the property and its operation, the underlying principle of the accounts is that items shall be specific and definite, susceptible of measure by instruments of precision. It is laid down as a fundamental principle that all reserves created must "be held intact until the liabilities for which they were created are liquidated" (Case 211). It is also laid down as a fundamental principle that all entries in the accounts shall be upon the basis of accruals, and not upon the basis of the actual payments (Case 231).

Impairments of capital, so far as they can be ascertained must be offset by reserves accumulated as the processes of impairment proceed. But of these funds it has been ruled that "it is not required that a definite sum of money be set aside in bank equal to the accumulations in the reserves for replacement of equipment" (Case 171). In other words, a "book fund" will suffice.

Secret Reserves. The intent of the Commission is not only to set out in lucid form the operations of the railroad, but frankly to make it impossible to create secret reserves, or, *per contra*, to write up earnings that have not been earned. By careful study it covers in advance all the usual forms of receipt and disbursement of moneys. Extraordinary situations which may be thought to justify spreading a charge beyond the fiscal year through Profit and Loss, or Abandoned Property accounts, or to open up a new account, or to make extraordinary adjustments of Capital account, will be considered individually on their merits by the Commission. As illustrating the intent, the rulings in these particulars, we quote: "What the Commission requires is that when such r

shall appear on the Balance Sheet Statement and that no secret reserves shall be created. It is not permissible, however, to create a reserve for Construction purposes by charges to Operating Expenses" (Case 557). Or again, referring to a previous ruling, "It is not to be taken as meaning that appropriations may not be made for extraordinary purposes, but does mean that the property acquired by the expenditure of such appropriations should be included in the property accounts. Stated differently, it is the purpose of this provision of the Classification to prevent as far as practicable the creation of 'secret reserves' in the future" (Case 558).

Maintaining Types of Operation. Because of the necessities of comparison, railroad operations in their multifarious phases are standardized after a certain type to which all must conform, even though in special cases the rule would seem arbitrary,—thus a switching road must charge to "Freight Train Cars—Repairs," the bill rendered by the owning road for cars damaged on their lines, regardless of the fact that the switching company owns no cars itself to offset its car repair expense (Case 456).^{*} Again, an operating carrier that is debited for the maintenance of joint facilities must charge the maintenance part of the bill to Maintenance Account—"Joint Facilities," although the road itself has no property to maintain (Case 161, also case 163).

In the case of joint facilities used by two or more carriers the carrier operating the train should take into its statistics all the mileage of that train and of the cars therein, regardless of the fact that a portion of the distance travelled may be over the tracks of another company (Case 502).

When a road is so small as not to have an individual officer for each department, then it must apportion among the several departments served the salary of the officer who performs the several functions. When bills are received in lump sum from

^{*} Rulings 456 and 161 are in apparent conflict with the ruling in Case 549.

other carriers they must be broken down to their constituent parts to conform to the Classification, arbitrarily if necessary.

Expense Account Not to Be Used for Suspense Items. As far as possible, expense accounts are not to be used to hold items in suspense, or as a device for clearing the amount of bills rendered against other companies and individuals. When the item is not a joint facility item or is irregular or small, it sometimes remains necessary to clear such bills through the regular detail expense items (Case 56); but in the case of considerable items which would derange comparisons if passed through the expenses a temporary account is necessary. An illustration would be the insurance recovered on buildings destroyed. To pass so large an amount through the month's account when the insurance was collected and to charge it again when the building is reconstructed would impair comparative figures (Case 30).

Reasonable Accuracy. Reasonable accuracy in compilation of statistical figures, rather than forced exactness, is the guiding principle. Thus in the computation of depreciation it has been specifically ruled that any period less than one month should be ignored (Case 49). Another illustration is the ruling (Case 174) that it is proper to *estimate* the scrap taken from cars and locomotives torn down.

Sometimes it is not possible to exactly apportion an amount which has reference to two or more items of the expense classification. When the preponderance is obvious, instead of making an arbitrary apportionment, the best practice is to classify roughly to one account only. Thus, cars alternating between commercial and work train service would be classified as commercial cars if for the majority of the time they were in commercial service, and their expense of upkeep would be charged accordingly (Cases 47, 468, 482, 418, 452, 594).

Apportionment. In the apportionment of expenses among several accounts the usual arbitrary plan is to apportion equally where no basis is assumed, but in case of Shop Expense (See

cases 177, 179, 183) and Stores Expense (Case 184), or adjustment of inventory (Case 9), the overhead charges or adjustments are apportioned on the basis of the direct expense. In case of Water Supply Expense, the distribution to the road and switching service is on the basis of tons of coal consumed on the locomotives using the water (Case 253).

Clearing Accounts. Throughout the operations there occur groupings of work or extended intermediate processes which do not conform to the general fixed schedule on which the work of the railroad is laid out and to which the Classification conforms. The expense involved in these intermediate processes must be finally lodged in the accounts of the regular Classification. To trace the disbursements through these intermediate processes and finally to apportion them, we must set up temporary pools called accommodation or clearing accounts. In these are assembled all the direct expenses of the particular process, and over against it are set the units of product which, carried over into the particular places in the railroad's operations where they are used, serve as a basis of apportioning the expense necessary to produce them.

For instance, such accounts are necessary in the case of ballast pits to produce yards of ballast that are distributed over various sections of the road; or in the case of the storehouse or purchasing house expense, to add to the purchase price of the material the cost of buying it and handling it; or in the case of shop expense, to gather together into one total the expenses of a miscellaneous character in and about a shop that apply equally, in proportion of advantage derived, to the different kinds of output of the shop. In assembling the costs to such clearing accounts only those costs which can be directly located against the operation are included; general expenses, overhead charges for superintendence or interest are ignored.

The basis of apportionment, in case the product is in form of a single physical unit (e. g. ballast), is simple. But in case

of shop expense, for instance, it is quite arbitrary, the ruling being that the distribution to the primary accounts affected shall be "in the proportion that the total of such expenses bears to the total labor distributed by that department" (Case 183).

The Time Factor in the Accounts and Statistics. The accounts are a device for photographing, as it were, the transactions that affect values. Throughout, great emphasis is laid upon the annual character of the operations, and only under exceptional circumstances is the railroad permitted to make entries directly to the Profit and Loss account, which, unlike the Income account, is not closed out annually. The year itself is divided into twelve monthly periods. Some latitude is permitted in the disbursements among the several months of a particular year (Case 155), but between the operations of different years inviolable lines of distinction are drawn (Cases 155, 162). However, in the run of business it is not always practicable to exactly close out a year's accounts. "Generally speaking, Operating Expense and other accounts should be charged with current expenditures. It is recognized that some expenditures will lap over, but those included in one year are usually offset by those left over for the next": (Case 379; see also Case 582).

Generally, Operating Expenses "should be charged with all expenditures proper to be included in those accounts without regard to the date of the cause of the expense" (Case 423).

Railroads sometimes suffer large losses through necessary abandonment of property that has suddenly become obsolete, (or possibly the obsolescence has been slow and insidious but is suddenly discovered). To impose the burden of such losses in any one year would be unfair, and the Commission has therefore made a special provision in the balance sheet of a "Property Abandoned" account, through which to spread such adjustments over a number of years. But this can only be used by special permission as it is not "for the purpose of enabling a carrier to 'make a showing,' or because in one year it is better

able financially to take care of such charges than it is in another" (Case 552).

There are, however, certain legitimate adjustment charges as between years, which can be made through Profit and Loss, without special permission, because they are obvious and involve no discussion. Such, for instance, would be the charge for an extraordinary fire loss (Case 621); the settlement of old suits (Cases 437, 605); and the revaluation of property at the time of sale (Cases 585, 596); or an appreciation of property at time of "an authoritative and approved inventory" (Case 498); unpaid wages (Case 457); abandoned new work uncompleted (Case 524); sale of scrap representing accumulations of several years (Case 514); old freight bills which have become valueless (Case 588).

In the character of a photograph of operations it is essential that the record be made at the time of the occurrence, and it is therefore ruled that accounts should be written up monthly (Case 3). "Expenses should be charged in the month in which they occur" (Case 333; see also Case 384).

To incur an expense is to convert money or credit into a form in which it becomes a part of the property, and cannot be reconverted at will directly to currency or credit. By this distinction wages and the value of material consumed or applied in upkeep are charged to expenses in the month in which the service is performed or the material used, but material and supplies purchased to be carried in stock are not charged to expenses until used. "In the case of material the expense occurs when the material is applied and not when it is purchased" (Case 333).

Keeping in mind the guiding principle in the accounts, that of identifying cause against effect, or outgo against the intake which it avails to produce, it is obvious that in much of the outgo for the upkeep of the plant there can be no intimate relation each month between the outgo of expense and intake of revenue for the month. In fact the withdrawal of the material from

stock and its application to the plant does not very essentially convert the form or value of the material at once, and the particular month in which the material is used and the work done is determined more by the convenience and economy of doing the work than the immediate effect of the work done in producing revenue. Recognizing these conditions it has been ruled that the maintenance accounts of ties, rails and bridges may be apportioned over the several months of the year, and the idea laid down that material expense occurs when the material is applied and not when it is purchased is carried still further by the ruling that rail, ties (and also bridge) expense "may be apportioned over the several months of the fiscal year, the total charge being in every case equal to the total expense of the material actually applied" (Case 333; see also Case 32). In case of rails and ties it is permitted to apportion the twelve months' expenditure over ten months of the year (Case 334). From rails, ties and bridge expense it is but another step to include other extraordinary renewal outlays, and "Additions and Betterments." Referring to the expense of relocating six to eight miles of line the tentative ruling (Case 565) is "After making as close an estimate as possible of the cost of improvements undertaken and dividing the total of the estimate into parts chargeable to 'Additions and Betterments' and to 'Operating Expenses,' there is no objection to your making monthly charges to both accounts as the work progresses, provided the accounts are adjusted annually to the basis of the actual expenditures."

But renewals of equipment, although they may be extraordinary to any one month, must be charged in the month when the renewal occurs. "This Bureau cannot authorize any departure from the prescribed classification which provides that the entire residual value of equipment retired, less salvage, should be charged to the proper Renewals account in the month in which such retirement takes place" (Case 426).

A principle which has been found to apply in the case of

rails, ties and bridges, Additions and Betterments and extraordinary renewals incidental thereto, has been extended to permit the charging of certain irregular accounts by arbitrary accruals of one-twelfth of an estimated annual cost monthly. Such accounts are "Injuries to Persons," "Stationery and Printing," and "Loss and Damage" (Cases 155 and 526). Charges which accrue with the calendar, such as rent, insurance, annual retainers, or depreciation, naturally are charged upon the basis of the monthly accrual. Ruling 29 covers this principle with reference to insurance, and ruling 167 with reference to depreciation. The principle has been carried still further to include "judgments and heavy or extraordinary expenses, due to fires, accidents," etc., which may also "be spread over several months of a fiscal year" (Case 5).

Concerning all of these apportionments of annual schedules over the months of the year there is no specific ruling authorizing anything other than an *equal* apportionment to each month (except rail and tie renewals, which, as noted, may be apportioned over ten instead of twelve months) (Case 167), and in every case the arbitrary charges must be balanced against the actual charges at the end of each fiscal year (except discount on securities issued, which may be "distributed equably over the period covered by the life of the bonds" (Cases 367, 504, 587). This does not mean that the principle might not logically extend beyond the annual cut-off, but as a rule the Commission is cautious and only allows adjustments for delayed bills and corrections to be carried over the fiscal year by its special permission.

Use Served, the Basis of Expense Classification. The basis of classifying an expense is not its superficial form, but the *use* which it serves. Thus the burial on the right of way of a tramp killed by a passing train is not M. of W. and S., "Roadway, Ditching," but Transportation Expenses, "Injuries to Persons." Earth is usually a part of the roadbed and not of the

dressing or ballast, but in hasty construction the track is sometimes held in place by throwing dirt to the center of the track. It has been ruled that the transport expense of the earth which was suitable for this use and which was therefore “considered” as ballast, should be charged to M. of W. and S.—“Ballast” (Case 467).

During construction a temporary trestle was built to expedite the work of grading. It was ruled “the cost of temporary trestling used in making fills on roads under construction should be charged to Expenditures for Road and Equipment account Number 4 ‘Grading.’ The cost of maintaining track solely for the transportation of earth used in fills should be charged to the same account as should also, of course, the cost of operating the work trains handling the earth. The cost of maintaining track used exclusively for the transportation of materials for the construction of a bridge should be charged to account Number 6, ‘Bridges, Trestles and Culverts’” (Case 506).

Joint Facilities. Throughout the country it is the custom of the railroads to use many tracks and facilities jointly. The debits and credits that pass in settlement of these accounts are large enough in the aggregate on some roads to seriously derange their detail expense statistics. To avoid this, the Classification provides a device of joint facility accounts. The operating carrier does not disturb its original expense figures when billing another carrier for joint service, but merely carries the credits for such amounts to Joint Facilities account, and not to the detail expense account where they occur.

A property to fall within the classification of a joint facility must be used jointly by the two or more common carriers involved. For instance, a track belonging to one road which has no equipment and used by another road having equipment is not a joint operation, although the train itself may be run for joint purposes (Cases 327, 408). Nor would the expense of an accident suffered by one carrier using the joint facility, or

the cost of any damages to the joint facilities for which one of the carriers is responsible, belong to the joint expense handled through Joint Facilities accounts (Case 471). A side track constituted of two sections of separate ownership, if pooled and operated as a single section for account of both owning railroads becomes a joint track (Case 308). The ownership of a facility jointly used does not affect the manner of its accounting (Case 361); the facility is a joint facility only in view of the "joint benefit" enjoyed (Case 159).

A joint facility can only be had with a common carrier reporting to the Commission (Cases 495, 636). Apparently a joint facility can only be a part of the plant or equipment used directly in the business of public transportation. A shop used jointly for the repairing of individually owned equipment (Case 393) is not a joint facility, nor is a storehouse used jointly for the issue of supplies to each company individually (Case 412); nor a standpipe to supply water in the same way (Case 357); but a fuel station (and its maintenance) supplying fuel to joint yard engines is a joint facility (Case 411); as also the operation of a round house in connection with the operation of a joint yard and terminal (Case 409). By the same reasoning, the expense of the force and supplies used in cleaning cars and repairing locomotives should not be carried through the Joint Facilities accounts (Case 535).

A joint facility primarily includes a fixed plant or an equipment assigned to joint work at terminals. However, where "employees are engaged in maintaining or operating joint facilities their salaries and expenses are a part of the joint facilities expenses." (Cases 46, 193). But referring to a joint organization independent of a plant, the ruling is, "It is not expected, for the present, that joint employees will be considered joint facilities" (Case 193). In special illustration of this distinction the salaries of crossing flagmen to protect highway crossings across the tracks of two railroads running parallel,

but where no tracks are used jointly, are not classified as joint facilities (Case 493), but the towermen protecting the intersection of two tracks would be part of a joint facility (Case 272), as would be also the watchman at a bridge in common use (Case 360).

Since a joint facility bill is for service rendered to another carrier it is proper to include in the bill an amount to cover freight on material and supplies issued for joint facility account (Case 395) as well as overhead charges for stores disbursements. The ruling in case 488 is on the wrong principle, as would be apparent if the employees who occupied company property rent free in lieu of wages were employed in joint facilities; the company remitting the rent would then by that amount be under-billing the tenant road.

Physical Valuation of Railroads. The methods of physical valuation of a railroad are usually to take careful inventory of the physical property, extend it at a value representing the cost of reproduction, new, and then deduct from it by a depreciation formula an amount assumed to represent the difference between the actual property at the time of inventory and its value when entirely new. But in making the allowance between new value and present value, a fallacy is involved, resulting primarily from failure to keep in view the continuing character of the railroad's operations and the inconvertibility of its plant, except in the form of annual earnings. The earnings of any one year are those which the existing plant must be capable of producing indefinitely. If our producing plant includes docks and wharves, which must be renewed every twenty-five years, during twenty-four years of this period the plant is each year shrinking in value, but without effect upon earnings. By the method above, on the twenty-fourth year we would value it at 100 per cent, less 96 per cent depreciation, or only 4 per cent of the amount of capital which must be permanently devoted to this part of the plant in order to produce regular earnings. On the

twenty-fifth year, when the renewal must be made, the 100 per cent thus withdrawn from the property by the above method of valuation would, in this way, have to be borne by the expenses of that year. Rates based on such a valuation, in the case cited, would ignore 96 per cent of the value of the docks and wharves.

When the accountant has begun with the original value, and has written down this value each year by the amount of the depreciation as a depreciation charge, such fallacy, of course, is not involved. The ownership of a public utility plant producing earnings involves the obligation of maintenance. When a physical valuation is made based on present physical condition this obligation, not being set up in a definite replacement fund must be located in the surplus account of the property on which the railroad must draw for renewals as they become necessary.

Physical valuation of railroad properties is far from being an exact science. The value, as we have seen, is not the cost of production less depreciation to present condition, if tied up with it is a liability to put back into the property the amount of the accumulated depreciation at time of renewal. Such liability must be offset by actual property or assured earning power just as imperatively as if it were represented by an unmatured note. But the physical valuation of a property is beset by further difficulties; the valuation cannot be stated at the actual cost, because the value of any particular thing includes not only the aggregate cost of all its parts individually but to this total must be added the cost of putting these parts together, which is their value *in place*,—that is, devoted to a use. The gradations reach all the way from hand tools to machinery, plant, individual locomotives and cars, shops, depots, terminals, branch lines, the entire road itself. To meet practical requirements we may set up certain arbitrary units, as the car, the locomotive, the particular building or parcel of real estate as the thing whose value

in some other possible use we take as the value devoted to its use in the railroad.

The physical valuation of a railroad, so far as it has significance, and is to be a factor in shaping public policies of rate making and taxation, itself implies a public policy to arbitrarily maintain investment at fixed value against time or losses by good or bad management, wise or unwise undertaking. It runs to the effect of basing values on legislation which would hold investment at a fixed figure against all contingencies. Mistakes are capitalized and the stimulus to the creation of new values out of forces now dormant is denied. The idea lying behind it is to give to the court and the tax commissioner an exact statement of facts to be joined with more general considerations in working out the conclusions of equity. But the broad considerations of equity and public policy on which adjudication must rest are at last a question of stewardship for which the only gauge is the efficiency test.

CHAPTER II.

I. MAINTENANCE OF WAY AND STRUCTURES.

Maintenance.—General. Maintenance is the preservation of the *status quo*. It is maintenance not only against the actual current abrasion and small breakages called wear, but also against the insidious processes of age, which culminate in the future in actual breakdown. This twofold function of maintenance,—to restore against present wear and future breakdown, must always be kept in mind. The one is called “repairs,” the other is called “renewals.” It is this future usefulness which distinguishes a thing in use or a facility to be maintained from a mere supply to be consumed. In railroad parlance “renewal” is the substitution of a new thing for an old thing. While the accepted meaning may shade off into the notion of that thorough renovation by substitution of the major parts, which is practically “renewal,” it is not classed as renewal.

The old thing to be replaced with new, or “renewed” must be a definite unit, hence the word “renewal” is first applied to maintenance of equipment which is in definite units. Because of this definiteness, and because each unit is substantially the same as every other unit of its class, it becomes practicable to anticipate by a general replacement account for each class, this ultimate breakdown “charging off” currently to expenses under the head of “depreciation” an amount approximating the life values consumed in the present use. But in maintenance of way and structures, each thing or group of things maintained, seldom is so definite and separable as to be entirely replaced by a single substitution of the new complete

thing for the old. Thus, new ballast by the yard is applied to the roadbed, and it is substituted for an equal yardage of ballast removed or previously disintegrated, but it does not completely displace the ballast of a certain section in the same way as a new car displaces an old car. Likewise rail renewal is generally a process of partial or gradual replacement instead of complete substitution for the entire road or a section of the road. In case of a building or a bridge there may be a complete renewal but the building or the bridge is not so nearly like every other of its class that it is practically a unit of the class. If the renewal expense is to be anticipated by a current depreciation charge, the conditions to be met in each case differ so, that practically a separate replacement fund would be necessary for each thing maintained. The result of these differences between the maintenance of equipment and the maintenance of way and structures, is that in the former the demarcation between repairs and renewals is well preserved and the renewals expense is pretty well anticipated in a depreciation charge, while in the case of the latter, renewals are paid for as they occur (except in the annual schedules of rail, tie and ballast maintenance, which are arbitrarily apportioned to the ten or twelve months covered by the schedule), and no general fixed line between repairs and renewals runs throughout.

With a clear apprehension of the two-fold phases of maintenance, namely against current wear and future breakdown, we pass over into a broader notion of the *status quo* which is to be maintained. This, as we have seen, is, in the first place, the maintenance of the physical thing, but it is also the maintenance of its function or use. If this function is not exactly maintained we say there has been "obsolescence." Maintenance is primarily replacing in kind. The official classification covers the point in this way: "By the term 'Cost of replacing in kind,' as used in this classification, is meant the cost, at the current prices of labor and material, of renewing such property by the

construction or installation of other property similar in capacity, service, and accessories, and having a physical condition and an expectation of life in service equal to that of the replaced property when acquired, or, if improved after acquirement, when in its best condition. It should not be construed as requiring an estimate based upon the current prices of material identical with that of which the thing abandoned was constructed, particularly when such material is no longer obtainable except at prohibitive prices and would not be used if a renewal of the property without betterment were undertaken.”*

Plainly the classification of expenses recognizes obsolescence, and imposes on the maintenance accounts the burden of the maintenance against such obsolescence. But “maintenance” refers to the parts of the plant. The burden placed on maintenance accounts is not the maintenance of the commercial usefulness of the plant as a whole, but only the continued function of the several parts of the plant to one another. This is the only obsolescence contemplated. A spur track to a coal measure which has become exhausted, has become commercially useless, but its function with reference to all other parts of the plant remains the same. While it seems to be the general purpose of the classification to recognize obsolescence, the distinction is not clearly made between the obsolescence, on the one hand, which is casual and brought about by general changes of standard either in the methods employed or the type of material and supplies manufactured, and the obsolescence on the other hand, which is the substitution of a new method or facility of distinctly added efficiency to produce net revenue. The latter type of obsolescence would be illustrated by the excess cost of a new bridge which should be stronger than the old bridge replaced, the added strength being necessary to accommodate the heavier train unit which in turn was designed to cheapen the cost of transportation, and increase so far the net income of the road.

* Additions and Betterments, p. 17, par. 11, p. 340 of this book.

I. MAINTENANCE OF WAY AND STRUCTURES.

1. Superintendence. The maintenance of way and structures is given over to a department. The administration of this department, the expense of which is called "Superintendence," involves the planning of current work; the organization of the forces into working units; the making of pay rolls; the requisitioning and accounting for material and for tools and supplies; the checking of performance; the enforcement of discipline. In addition to this it includes the higher function of evolving standards of practice, designing particular structures and installations, solving local problems, and devising general policies. To have such service the railroad must employ an organization of officers, furnish them a staff of clerks and assistants, and provide for all incidental office expense. These natural first designations of the total expense, in reality constitute a fundamental grouping. The salaries of the officers is a less flexible item of expense than the salaries of the staff, and the salaries of both officers and staff, less flexible than the expenses of their offices.

Under "Pay of Officers" is included the pay of all those employees in the department called officers. Such designation embraces those who exercise authority over subordinates, ranging from the vice-president (if he has direct charge of the department) to the assistant master carpenter or supervisor. It embraces the professional expert such as the architect or the special engineer, but draftsmen, rodmen, transitmen and chainmen are classified as "Clerks and Attendants," under the primary account of "Superintendence." Section foremen, bridge gang foremen, and M. of W. and S. shop foremen are not included in "Superintendence" at all, their wages being charged to the expense of the work done. This disposition of the wages of the minor foremen is obviously upon the theory that these men are in effect leading workmen, and except for a slight added function of responsibility to plan locally and execute, are practically

workmen. The account "Superintendence" does include semi-official staff men, such as fire and sanitary inspectors, classifying them as officers. Part of the function of those designated as officers is to set up a nominal class distinction which serves as an incentive by which the whole organization is stimulated and made to cohere. In the case of the gang leaders this distinction is negligible, and therefore these employees do not fall into the class of officers.

With the officer goes his staff of clerks and attendants. A staff is limited to that body of men, who, as it were, extend the personal reach of the individual officer,—performing the multifarious detail which he himself would do personally if he were able,—such as making records, handling correspondence, compiling local office pay rolls, accounts and statistics, assisting the engineer as draftsman, rodman, transitman or chainman. With the recognized working force of personal assistants goes also the regular staff of personal attendants, such as porters, waiters and servants, whether in the office or on the private car.

The salaries of officers is very much of a fixed expense. Should the officer irregularly be of service to other departments, this would not disturb the disposition of his salary, and other expenses to this account. But should he be regularly assigned to supervision of one or more departments the burden of carrying him is shared equally among the departments served.

In case of employees, a different principle is involved: their salaries are not so fixed an item of expense, and therefore when engaged in work not chargeable to M. of W. and S., their pay and expenses are charged to the specific work on which they are engaged.

The foregoing is limited strictly to labor; all other administrative expenses of every nature (except stationery and printing, which has an account of its own) are embraced in "Superintendence" under the sub-classification of "Office and Other Expenses." Primarily this sub-account is for supplies and

travelling expenses, rent of telephone and office, expense of heat, light, water, ice and any special service as telegraphy, messenger, office laundry, and for cleaning office when not performed by a regular employee.

Expenses are cash disbursements for account of the administration of the department, and do not include proportionate charges for the use of offices or equipment owned by the company, or any other part of the plant of the company, or the maintenance of such plant. But if the use of the facilities involves a cash expense, such rent charges are a part of this item. With the supplies go also furniture, drafting and engineering instruments, reference books, subscriptions to newspapers and periodicals, also premiums on fidelity bonds of those whose wages are charged to this general account.

Comment: It is inconsistent to disallow a charge for the use of any part of the railroad's plant, when similar service, if paid for on a rental basis, is charged to this account. The use of an office building or a private car is practically the same whether these facilities are owned by the railroad and furnished to the department, or hired by the department from outside parties. So far as there may be differences as between different roads in the matter of company facilities for the M. of W. and S. offices, plainly any comparison of the "Office and Other Expenses" item of this account of "Superintendence" is so far misleading.

2. "**Ballast.**" Ballast is the dressing of the roadbed. It provides a base for the tie, and surface for the roadbed at the same time. In some form ballast is present on every roadbed, barring only the crudest conditions of railroad operations. It may be but a light dressing of cinder or sand, or it may be gumbo, chats, gravel, slag or broken rock. It varies in depth from a few inches to a foot and a half. Because it is a universal feature of a railroad, and because it is distinct from the roadbed on which it is placed, and from the tie and track structure resting upon it, ballast is a proper head of classification. It differs from these

in cost, in the methods of applying it, and in the determining conditions of renewal.

On many roads ballast formerly was not a part of the construction specifications. After the road was put into operation, the maintenance department gradually worked over its roadbed as it settled and put in the ballast. Because the work was at no time done completely, the expense being defrayed by earnings, it was always going on. Generally sand or cinder served as a first makeshift, and then perhaps followed more permanent material, but not to standard depth. In connection with these progressive stages of work there was a constant deterioration due to submergence in the roadbed, to washouts, to the process of pulverization. In case of slag especially the waste by pulverization is enormous. Under these conditions "ballast" work was heavy during years of large earnings and was light in the periods of lean earnings. With the later classification of the I. C. C., the Additions and Betterments accounts absorb all such changes in the standard of the property, due to increases in yardage of ballast in place. But reballasting with stone, track originally ballasted with cinder, is not considered Additions and Betterments (Case 434). The only arbitrary variations in the account now remaining are those arising from the rate of renewal, in common with most of the M. of W. and S. items, and betterment by replacing cheap ballast with expensive ballast.

Ballast expense is the expense of the material delivered, including the first unloading. The expense of distributing and applying ballast is charged to "Roadway and Track." In computing the cost of ballast, there are added to the purchase price of the material all freight charges of foreign roads, the labor and supplies expense of a ballast train, delivering the material, and the expense of unloading. In case the ballast is taken from a gravel pit or ballast quarry which the road acquires for this purpose, the cost and development of such pit or quarry go into the cost of the ballast taken out.

If a ballast pit or quarry is to serve for a long time, in order to carry over its entire expense to *all* the units of ballast extracted, a clearing account must be opened and continued open as long as the pit or quarry is in use. To such account will be charged all development expense, cost of special plant devoted to this development, such as (a) in case of land, first cost less estimated value after ballast has been removed; (b) in case of rail and fastenings, the excess above scrap value, and on all other material besides rail, full value, on the theory that once used it has no scrap value; (c) in case of large tools, such as stationary engines, steam shovels and stone crushers, their repairs and depreciation (but not their first cost which is charged to Property account). All expense of labor, material, supplies and hand tools, whether for prospecting, developing, installation, or actual quarrying, crushing and transporting is necessarily included. Any disarrangement of existing conditions to open a quarry or pit, such as clearing, stripping, draining or ditching the land, or the installation and operation of an interlocker plant or switch at the point of the main line where the ballast track digresses, is a part of the ballast undertaking.

The whole intent of the account is to include all values devoted to the production and delivery (but not the distribution) * of the ballast, hence some of these which cannot be exactly known during all stages of the work should be estimated.

As ballast may be a by-product of some parts of the railroad operation it is specified that the ballast value at one point as a by-product shall not bear the expense of removing it as a waste at another point. Thus the expense of loading cinders at the engine house to be used as ballast is charged to "Engine House Expense" and not to "Ballast" (Case 163).

Comment: The classification is vague in defining delivery expense. Cost of preparing, loading and "first unloading" are

* See Comment.

specified as part of "Ballast," and the first unloading of ballast is generally the only unloading; in fact it is frequently the actual distribution. If such first unloading is included, it is natural to suppose that the work train expense up to that point is included also, but this is not clear.

The stability of ballast depends so much on the kind of material used and the depth and foundation on which it is laid, that we believe "Ballast" should be classified according to the material used and subdivided into at least two items, or better three, according as it may be under 8 inches, or 9 to 14 inches, or over 14 inches in depth.

If repairs and depreciation of specialized plant are chargeable to this account, we see no reason why the work train equipment engaged in the distribution of the ballast is excepted. The argument that the latter equipment is available for other uses at other times does not take note of the fact that the wear and deterioration while in this ballast service do not serve those other uses.

In the case of ballast charged to Additions and Betterments "Ballast" is made to bear an equipment hire expense. If such a charge is justifiable in the case of Additions and Betterments, we believe it to be equally justifiable when the ballast is an item of expenses.

In making a distinction between ballast which is Replacement, and ballast which is Additions and Betterments, it has been ruled that the cost of ballast up to the point of restoration of the original yardage is Maintenance, and all in excess of the original yardage is Additions and Betterments, regardless of any betterment that there may be in the kind of ballast used. We believe that the definition of "Betterment" (Cases 148, 297, 434) should be based upon quality as well as quantity in order to conform to the I. C. C. definition of replacing in kind.

3. "Ties." Ties are a universal feature of standard track construction. Whatever their material, they must serve the double

function of foundation and structure, the former in providing a bearing for the rail,—taking up a concentrated load at the base of the rail and distributing it over the roadbed, the latter in keeping the rails parallel, at gauge, and upright. When the track passes on to a track scale, or a wharf, or over a bridge the tie may perform some additional functions, in which case we call it variously, scale tie, switch tie or bridge tie; but its primary functions are not thereby impaired; hence switch and bridge ties come under the general class of “Ties.”

To the tie by the above definition are added head blocks and railway crossing timbers, because they are generally from the same supply and perform analogous functions.

This account is to provide for the bare cost (including inspection) of the tie delivered, after it has been accepted at the point of delivery. All subsequent costs of unloading, distributing and placing in the track are embraced in the general account of “Roadway and Track,” under the subheads, “Applying Ties” and “Work Train Expense,” so far as such expense may be incurred.

The track whose tie and timber maintenance, as described above, is charged to this account, includes all permanent main tracks, sidings, yard or spur tracks whether on the line, in tunnels, on bridges, or at terminals of every character, such as passenger and freight stations: it includes classifying, storage, repair and other shop-yard tracks, and tracks on piers, wharves, or track scales, or those leading to inclines and coaling and water stations (but not *on* the incline or *in* the fuel station). The evident purpose is to include in this account the ties of all track used in commercial service or in work immediately incidental to the performance of commercial service, such as that to fuel and water stations, or that of “repair tracks” for the quick repair of “cripples.” But the fuel station itself and the shop, the enginehouse and storehouse are drawn off into types apparently separated from that part of the plant directly used

in commercial service, and are described as "Buildings, Fixtures and Grounds." To make the distinction, all track material including ties used in fuel stations and shops, enginehouses and storehouses is specifically excepted from the account "Ties," and charged to "Buildings, Fixtures and Grounds." The point where the track classifies as "Buildings, Fixtures and Grounds," in case of the fuel station, is the point where the incline begins, and in the case of the shops it would apparently be where the shop yard track passes into the shop, enginehouse or storehouse, or on to transfer tables or turntables. The underlying principle of the distinction is that track that is housed or on a structure belongs to the structure which houses or supports it, except in the case of bridges, docks and wharves (transfer bridges when a part of docks or wharves), stations, grain elevators and track scales, because all these are a part of the continuous way, or yard, devoted directly to commercial purposes.

If the ties are a part of the installation of a new track the cost is not an operating expense (except in case of ballast tracks, the expense of which is cleared through the "Ballast" expense account), but a charge to Additions and Betterments, "Additional Main Tracks" or "Sidings and Spur Tracks." If such tracks are temporary they will be subsequently wiped out of Property account by restoring to stock their material at the amount of its scrap or second-hand value, and charging the remainder of the cost, together with the incidental expense of removing the track to "Profit and Loss." * But if the removal of tracks is to relocate them elsewhere, as for instance at stock piles or "ore bodies," the relocated track does not change in function or value. This value was placed in Property account at the time the track was first laid, therefore Property account is not disturbed, and the cost of relocation is a charge to Operating Expenses.

* See Additions and Betterments, par. 5, p. 339 of this book.

Ties used to restore damage by washouts are an extraordinary expense, and not a regular tie renewal charge, but a charge to "Roadway and Track."

The expense of ties used in the laying of temporary tracks around wrecks is charged to "Clearing Wrecks," because they serve no permanent use and are absolutely an incident to the emergency handling of traffic due to a wreck.

The renewal of ties is a kind of work that is largely regulated by seasons. For this reason the amount of work done in any one month has no direct reference to expenses that properly offset the earnings of that month. This account, therefore, is one of those whose expense may be divided arbitrarily over the several months of the year; but all of the expense of the year must be closed out during the year, as none can be carried over to the next year.

Comment: If the expense of unloading ballast is charged to "Ballast," in applying the rule of following material with all charges to the point of delivery where it is used, we see no reason why ties should be excepted.

Tie expense is greatly modified by the use of tie plates which are charged to "Other Track Material." If the function of a tie includes the furnishing of a bearing surface for a rail—and this is plainly the case—the tie plate which is inserted to perform this specific function of the tie, and no other, certainly is a part of "Tie" expense, and should be so charged.

It has been ruled that the increase in the life of a tie, due to creosote treatment, shall not be considered a betterment (Case 562). This, apparently, is to conform with the theory that betterment shall take note of increasing quantity, but not quality, which is made to apply also in case of "Ballast," "Rails" and "Other Track Material." We believe the principle to be a wrong one, although to recognize differences in quality as betterment confessedly offers chance for some abuse. In the case of the replacement of ordinary wooden ties with steel ties, the failure

to recognize in the accounts resulting betterment amounts to a serious distortion of the real facts.

There should be a distinction between main line and yard track tie renewals, because the normal expense of the two differs widely.

4. "Rails." Rails are the track on which the wheels travel, whether on tangent or curve, roadbed or bridge. Insets in the track of frogs and switch points are not considered "rails"; track fastenings, such as angle plates, tie plates, bolts, nuts and spikes are also excluded from "rails," and these, as well as frogs and switches, are disposed of as "Other Track Material." Rail used as guard rail is also "Other Track Material" unless it is on bridges or trestles, when it is considered to be a part of the bridge or trestle, and so charged.

Rail is so large an item of maintenance material that it is advisable to keep it separate so that deductions can be made about it alone. Its cross section or templet has been a matter of close study to get those proportions of base and web and head that shall give the maximum strength for a given weight. The chemical constituents also are worked out with the greatest care to discover that point where hardness or wearing quality unites with toughness to produce the maximum efficiency. The rail is roughly classified at the weight in pounds per yard. Thirty years ago 56 to 60-pound rail was good standard, but requirements have steadily advanced. To-day the standard will run from 75 to 100 pounds, running even higher in tunnels, terminal stations, and on city streets where exposed to much wear, and where renewal is attended with heavy expense. Rail is paid for by the ton, and an easy formula is to multiply the weight in pounds per yard by $11/7$ to produce the figure of tons per single track mile (two rails).

Of all accounts, this of rails is the most conspicuously characteristic of the *railroad*. It embraces primarily the rails in the main line and passing tracks over which the commercial trans-

portation is made; it next includes the rails in tracks at terminals of every character (save exceptions noted next below), whether station, pier or dock, track scales or team tracks. It includes the tracks of the classifying yard, and then the tracks whose function is incidental to the direct business of commercial transportation, such as receiving yard and storage tracks, tracks leading to water and coaling stations, ash pits and turntables, or in the shop yard to receive cripples. But tracks on structures (except track scales, bridges, docks, wharves and transfer bridges), such as turntables and transfer tables, coal inclines, or floats, or tracks inside of buildings (except stations and grain elevators) are considered part of such structures or buildings. Gravel pit tracks, because they serve a temporary and highly specialized use, are cleared directly through the ballast clearing account. It has been ruled that temporary tracks that are moved "each year" to serve mines or lumber operations shall be charged up to Property account as Additions and Betterments, and that when taken up, the salvage shall be credited to the same account and the balance wiped out through "Profit and Loss." But in case of temporary tracks to stock piles and ore bodies which are described as "being continually relocated," the cost of relocating shall be charged to Operating Expenses. Rail used to replace rail lost in washouts is not a charge to regular rail maintenance, but to "Roadway and Track," which account is of a more inclusive character, providing for the labor of applying the material of roadway maintenance, patrolling, protecting the roadway, and the expense of restoring it in the emergencies of washouts.

The "Rails" expense embraces all charges, including inspection, up to point of delivery, f.o.b., but the cost of unloading and distributing and laying track is charged to "Roadway and Track," as the intent is to preserve "Rails" account for material expense, strictly construed. "Delivery" is generally under-

stood to be to the division where the material is to be used, while "distribution" is to the points over the line of the division.

Since the actual work done in any one month is not directly related to the actual wear of that month, but depends on the program of the year's renewals, the expense of the year is considered as a whole, and it is permissible to charge to each month's expense, equal arbitrary proportions of the year's work schedule.

Comment: The distinction between "fast" or main line track and yard track is an important one in affecting normal cost, and therefore should be preserved in the classification.

Increased weight of rail is considered (Case 374) betterment, but a higher quality of rail (except the replacement of an originally second-hand rail with new rail), involving an increase of price, is not considered betterment. This corresponds to the ruling in respect to "Ties," "Ballast," and "Other Track Material," but we believe that it is inconsistent with the tenor of the classification as a whole.

5. "Other Track Material." Having provided for the two large single items of track, viz., ties and rails, the other material used in track is so miscellaneous that it is thrown into this "all other" account. "Other Track Material" embraces the track fastenings of angle plates, bolts, nuts, spikes; the supports for the rail, such as tie plates, chairs, rail braces, guard rails (when not on bridges)—the rail accessories of track insulators, tell-tales, bumping posts, crossing angles; switches with their points, frogs, stands, targets, tie rods, chains, levers, etc. Interlockers and signals are not a part of the track, and they are provided for elsewhere. The material in this account differs from supplies which are of current consumption; the use and not the size is the basis of the distinction: Thus, nuts, nut locks, switch lamps, and locks, shims, and tie plugs are here classed as "material," while oil for switch lamps, or salt to thaw out frozen switch points are "supplies," and are charged elsewhere.

In general, the items whose maintenance is grouped here, are

the parts of the track (except rail and ties, previously withdrawn). Track is distinct from the buildings and other structures, such as tanks, interlocking plants, signals, bridges, docks and wharves, and the substructure of roadbed and ballast on which the track is carried, hence "Other Track Material" has nothing to do with any of the parts of such buildings and structures or of the roadbed and ballast. The repair and renewal costs of the parts of the track are charged here, but the expense of applying the parts in the track is carried over to the more inclusive account of "Roadway and Track" where the labor expense of the two large M. of W. and S. composites of roadbed and track (sometimes called substructure and superstructure) are thrown together. These two composites are thrown together probably upon the theory that much of their expense is not easily separable.

Cost includes all charges up to the point of delivery, but does not include the cost of putting in place. The track, of which its "Other Track Material" is chargeable to this account, has been described under "Rails."

"Other Track Material" is devoted to the regular upkeep of the track; the cost of replacing parts of track damaged or lost by washouts would presumably be charged to "Roadway and Track."

Comment: Tie plugs and tie plates have no usefulness except as they extend the life of the tie. They therefore perform a part of the tie function and should, we believe, be charged to the tie function and not to "Other Track Material."

It has been ruled (Case 563) that rail braces or tie plates added after construction are betterments. These are used to lengthen the life of the tie, but the creosoting of the tie, which in another way performs the same function, is not considered betterments because it does not add separate physical units to the track. This is plainly a defective classification.

6. "Roadway and Track." This account embraces practi-

cally all roadway or track maintenance not provided for in the three preceding accounts. In previous classifications of the I. C. C. it was a hold-all. It still retains much of its first character, but it has been subdivided to sub-primary accounts. Having set up the material expense items of "Ballast," "Rail," "Ties," and "Other Track Material," there remains a vast body of expense, much of which is not the direct incident of any single one of these items, but is general for two or more. Furthermore, such a body of expense at times is not controlled by the durability of the rail, ties, ballast and other track material so much as by outside factors of weather, thaws, freshets, fires, growth of weeds, etc. After these erratic factors have been taken care of, it is easier to follow the expense which is directly due to the renewal of rails, ties and ballast. The factors remaining are the inherent efficiency of these materials, the volume of traffic, and the standard and efficiency of the maintenance.

Because weather conditions on different railroads vary so greatly on account of geographical location, and because such weather extremes cause heavy outlays, in order to render safe comparisons between different roads and between different periods on the same road, the expense caused by extreme phases of weather, such as removing snow and ice, is withdrawn to a separate account.

Tunnels are an irregular factor; their conditions of maintenance special—requiring tunnel watchmen, special tools, and unusual work. The expense of maintenance of tunnels, but not of the tracks through the tunnels, is therefore also removed to a separate account.

With these foregoing exceptions, "Roadway and Track" includes the maintenance of roadway and track which is in commercial use, whether on the line of road or at terminals, on the open roadway, through tunnels or on bridges, in stations or on docks and wharves, and float bridges (which are part of docks and wharves) and track scales. The account includes also the

non-commercial tracks of engine yards and shop yards, and to coal and water stations. But tracks inside of shop buildings or enginehouses, or on transfer tables and turntables, or car floats, are held to be part of the structure where located, and do not belong to "Roadway and Track." So also tracks devoted to highly specialized or temporary uses are not included, such as ballast pit tracks, charged to "Ballast" clearing account, or additional tracks, charged to Additions and Betterments, and when abandoned, released through the same account. Temporary track around wrecks is an incident of clearing wrecks, and the labor expense is charged to Transportation;—"Clearing Wrecks," but a temporary track around a washout is an incident of maintaining the open roadway against extraordinary weather conditions, such as freshets, and therefore is considered "Roadway and Track."

"Roadway and Track" embraces the entire width of right of way until we come into station and shop or warehouse grounds. It does not include the fences, but does include everything between the fences, *except* structures such as buildings, bridges, trestles and culverts, water tanks, grade crossings, cattle guards, mail cranes, signs, signals, interlocking plants, telephone, telegraph and power transmission lines, which are all variously provided for elsewhere.

Maintenance means the keeping of these parts of the property up to standard operating conditions as to cross section, cleanliness of ballast, condition and spacing of ties, condition, alignment and surface of rails, and gauge of track, by tamping ties, shimming rail, cleaning and drainage of roadbed, by ditching, removal of obstructions, widening slopes and embankments, protection of banks by riprapping, diversion of streams, cleaning of culverts, etc. It includes the protection of adjacent property, by plowing fire lines, fighting fires, draining overflowed fields. This maintenance also is construed to include care of roadway and right of way parking, to keep them in condition

and sightly by clearing of weeds, mowing of lawns, dressing ballast and cutting sod lines, also the cleaning of streets used as roadways, sodding slopes and caring for flowers. But when the right of way parking is specially beautified or extended to serve the uses of station grounds, and when the "streets" are driveways or alleys for access to station, and are not the right of way for the railroad, they are incidental to special uses and are not a part of the roadway or yard which are for the uses of moving trains or terminal switching and freight delivery.

Patrolling and watching track are charged here, but bridge, tunnel or crossing watchmen who are permanently assigned because of the special character of structures, and because of traffic conditions, are charged to those structures or to Transportation, under the proper head.

Because the line between betterment and maintenance is not always easy to draw, caution must be exercised that maintenance of roadway shall not include large amounts of work that are in the nature of betterments. Such cases occur in changing of alignments and grades, filling trestles, putting in riprapping,—which are variously charged to "Expenses" or to Additions and Betterments, according to certain determining general conditions.*

"Roadway and Track" includes the entire upkeep expense, both labor and material, of the roadway and track, *except* rail, ties, and other track material, and roadway tools and supplies. The first three items are such definite and large elements that they justify a separate account. The last item brings into one group the cost of the miscellaneous small facilities and supplies that supplement manual labor throughout the entire department of M. of W. and S. It would be impracticable to locate this expense to the specific work which it served. "Roadway and Track" also includes any work train expense incurred for the work. (The work-train expense embraces train supplies and

* See *Comment*.

wages of men, but maintenance of work-train equipment is charged to M. of E.—Repairs, Work Equipment. The expense of removing material and restoring conditions to normal after roadway repairs, is an incident of such repairs. Such maintenance is, for instance, burning ties, removing rail. But the removal of scrap not previously accounted for, should be charged to scrap value of material removed.

The condition of the roadway which must be maintained is disturbed at times by Additions and Betterments work, for grade reductions and change of line. "Expenses" must bear such part of the costs incurred in doing such work as represents the upkeep of the existing roadbed at standard, and the keeping of tracks in repair and condition for handling traffic during the progress of the work, and the protection of traffic while passing over the tracks. On the completion of such work "Expenses" must bear the burden of reballasting, lining and surfacing the tracks, moving and replacing riprap or other bank protection in order to fully preserve maintenance standards.

Comment: The distinction between maintenance and betterment is not well defined. This account bears "the proportion chargeable" of such expense, but the basis of arriving at this proportion, where it is a proportion and not an absolute charge, is not stated.

Assessments paid for "improvements" are clearly a betterment charge and not maintenance.

The account "Roadway and Track" is too inclusive. Some of the sub-primary items should be made primary accounts.

7. Removal of Snow, Sand and Ice. This account is to provide for some of those extraordinary conditions which weather imposes. Their highly irregular character in different territories and at different times vitiates comparisons if their expense is included in "Roadway and Track." Sand-storms in some sections of the country are analogous to snow-storms at other places in so far as they affect railroad operation.

The account includes the removal of snow, sand and ice from tracks over the entire road. The expense embraces wages and supplies and tools specially furnished; wages and supplies of special work-train crews, including fuel, and repairs of snowplows (except that maintenance of snowplow cars is charged to "Work Equipment—Repairs"). To the actual work of cleaning the snow is added the expense of precautionary measures, such as handling and placing snow and sand fences, and any land rental charge incidental thereto, slatting engine pilots, and putting on and removing flanges, assembling crews in readiness for snow emergencies, salting and cleaning switches. But repairs of snow and sand fences and snow sheds are charged to a different account as they are a part of the permanent equipment or structures of the road.

Maintenance expense of the work-train equipment used is charged to M. of E. and not to this account.

In respect to the labor used this account may be considered an offshoot from "Roadway and Track," which must keep the right of way and yards clear from garbage and the track free from débris and weeds. But snow and ice, and sand which, like snow, is blown by the wind, are recognized as distinctly extraordinary weather conditions, and the expense of clearing them from the right of way is therefore set out to this account. Freshets, it may be said, are also a result of extraordinary weather conditions, but the incidental repairs are not so distinctly different from ordinary repairs of roadway as to make a separate classification practicable.

8. Tunnels. Tunnels are a fixed disability of operation on any road where they may occur. Their maintenance is of a special character. They frequently are lighted, and have specially detailed watchmen. These are inevitable incidents of having the tunnel at all, hence the manager draws out such expense from the rest of his maintenance.

The account includes all such expense of a special character

for repairs of tunnels as cost of timber and other material, false work, special tools and supplies, and the wages and supplies of tunnel watchmen. "Tunnels" does not include the roadway and track which go through the tunnel, or signals, which together constitute the continuous way. It does include the lighting and watching expense. This is an item of M. of W. and S. on the same principle which includes as maintenance the patrolling of the roadway for safety, or the salting of switches, oiling of roadbed, or cleaning of ice from float bridges. These all are incidents to the maintenance of an open way in safe and standard condition for running trains, and this is the province of M. of W. and S.

In all the work done upon tunnels, it must be kept in mind that maintenance is only replacement in kind. The excess cost of lining tunnels with stone, brick, or concrete, over the cost of replacing in kind a less durable lining removed, is betterment. In case the tunnel is converted into an open cut, this account must bear the expense of removing the lining of the existing tunnel before any charge is made to Betterments for account of the cut which takes the place of the tunnel.

9. Bridges, Trestles and Culverts. The roadway is either carried on earth roadbed or over structures of some kind. These structures fall into a separate class from earth roadbed because the circumstances of their upkeep are radically different. They are exposed to peculiar conditions of wear, deterioration and risk: they require special material, skill and supervision: their maintenance readily divides into light repairs which are current, and heavy repairs and renewals which are periodical over long intervals.

Bridges were primarily designed to carry over water. This first notion has been extended to include on the one hand the structure that leads water under the railroad as a mere culvert, and on the other hand the structure that carries the *railroad over* something, regardless whether it is water, a highway,

another railroad, or an aqueduct. But when the situation is reversed, and the structure carries something *over the railroad* it is no longer a "bridge" but a "crossing" and is carried to the account of "Over and Under Grade Crossings." Thus it falls out, that at the separated grade crossings of two railroads the structure that is a "bridge" for the overhead railroad is a "crossing" for the railroad carried beneath.

By these distinctions "Bridges, Trestles and Culverts" includes bridges and trestles; wooden, steel, stone and concrete viaducts; stone and wooden culverts; cast-iron and terra-cotta pipe culverts. Substructure is embraced with superstructure, so that we have included the piers, abutments, masonry and drain-pipes. Special fixtures, as bridge guards, guard rails, water barrels, gravel decking, or machinery and appurtenances for operating drawbridges, bridge signs or number boards are part of the bridge or trestle. (Guard rail not on the bridge is "Other Track Material," or if in a building is part of the building.) The building and maintenance or renewal of all secondary structures, permanent or temporary, that are incidental to the repairs or protection of the bridges, trestles and culverts, and not distinctly a betterment, are a part of the maintenance expense of the primary structure which they serve. Illustrations of these would be retaining walls, riprapping and dikes necessary to protect or strengthen bridges and culverts against ice, water or drift, and "false work used in repairing and renewing bridges and culverts." The cost of removing a bridge to replace with a new bridge is a "Bridge Renewal" expense, but the cost of filling a trestle is charged to "Roadway and Track," because the trestle is thereby superseded. The expense of altering and bracing the trestle during the progress of the filling is charged to the trestle, although it is an expense incidental to "Roadway and Track." When a bridge or trestle is superseded by a fill it ceases to exist, and must be "charged off." Its first cost (estimated if not known), less salvage, must be

charged to "Operating Expenses,"—this account. In order accurately to transfer the values from property in the bridge to property in the fill constituting roadway, the bridge is credited with salvage allowance for the estimated value of the temporary trestle which would have been necessary to make the fill.

Maintenance, which includes upkeep against wear, weather and deterioration, also includes, at times when improvement work is going on (either to substitute a new bridge or an embankment for the old bridge), the cost of removing the old material and protecting traffic during the improvements. This is because maintenance must under all conditions preserve the structure in its function of a bridge at that point until released by substitute construction.

The cost of the maintenance described above, and which is charged to this account, is all labor, material and supervision, and any extraordinary expense, as for work train service or advertising for bids. But this account does *not* bear any part of certain expenses that are either of a fixed character for the department, as "Superintendence," or of a general character for the department, as "Stationery and Printing," "Injuries to Persons," or proportional charges of repairs and renewals and interest on work equipment used. The proportion of a general insurance premium covering the risk of bridges is carried to a General Expense account for reasons there explained.

Supervision charged to Bridges is described as including the wages and expense of bridge foremen and inspectors and watchmen, but not the engineer of bridges or the master carpenter or the fire inspectors and their assistants.

While tools used in repairing bridges, trestles and culverts are specifically carried to "Roadway Tools" supplies, brooms and lanterns are classed with rowboats used as part of the expense of bridge maintenance.

Insurance recovered on bridges and trestles should be cred-

ited to this account, because the repairs of the damage for which the insurance was paid is charged here.

A bridge, like any other structure, is supposed to be adequate to its intended uses. Should it prove defective, the expense consequent upon such default is charged to the thing damaged and not to the account that maintains the bridge which was at fault (Case 392).

10. Over and Under Grade Crossings. Every railroad line is crossed at irregular intervals by highways, canals, and other railroads, to accommodate other movements than its own, at fixed points across its right of way. With the greater density of population these cross movements are greatly multiplied, until within the city limits they sometimes come at every street corner. Canal crossings can only be made at separated grades, but in case of all other movements the crossing (except, of course, by navigable rivers which were original barriers overcome in construction of the railroad) may be at the same grade, with a risk of accident. This risk increases with the volume of traffic, and the tendency with the growth of population is to abolish these grade crossings by separating the grades. The fact that the other carrier or the public who cross the railroad are involved in this risk with the railroad itself renders the elimination of such crossings a common concern. The expense is therefore generally shared on some basis.

The structure that carries the railroad over the other traffic is designated a bridge, and is charged to "Bridges, Trestles and Culverts." When the railroad is depressed under the other traffic, the crossing structure is considered an "Over and Under Grade Crossing," and the railroad beneath is "Roadway and Track," like any other part of the line.

This account is to provide for *any* structure or subway that carries traffic across the line of the railroad traffic, except foot bridges and subways at station grounds which then are features of the station service and are not public highways.

This crossing movement may be by railroad, trolley, wagon or footway, log chutes, rollways or telepherage, but not telegraph or electric power cables. All these different types have the common characteristic that the movement provided for is other than that of the railroad, and that the provision is to eliminate risk of interference and consequent accident.

Any drainage of water or diversion of public roads to effect such separated grade crossings is part of the expense of the crossings.

This account includes both the labor and material expended.

Comment: The account includes "cost of drainage and excavations for undergrade crossings, expenses of opening public roads for purposes of eliminating grade crossings." This wording permits of expenses that include substantial betterments and is so far in conflict with the Additions and Betterments account, "Elimination of Grade Crossings."

11. Grade Crossings, Fences, Cattle Guards and Signs. The ideal of a roadway with no interruption by intersecting movements between termini is seldom realized. The railroad is not allowed to bisect the territory traversed by an impassable line. The first effort, therefore, is to restrict to designated points the crossing movements. The next effort is to separate the movements at these points from the grade of the railroad by "Over and Under Grade Crossings." There must, however, remain a vast number of points where the volume of such crossing traffic does not justify so heavy an outlay.

"Grade Crossings, Fences, Cattle Guards and Signs" is to provide for the maintenance of all those structures along the right of way (except over and under grade crossings) which are not an essential part of the roadway for moving trains, nor for handling traffic at terminals, nor incidental to the maintenance of the roadway and rolling stock, nor the general administration of the property, but which grow out of the conditions of transportation as they affect or are affected by the interests of abut-

ting property holders and the general public along the line of the right of way. Hence it comes to include the maintenance of fences and cattle guards, street, road and farm crossings at grade, crossing signs, warning signals and gates, whistle posts, slow and stop boards, mile posts, and the assessments for street repairs and sewers (where not incidental to any particular building or separable part of the property, but general to the right of way).

The fences keep the cattle of abutting grazing land off the right of way, and the cattle guards restrain them within the limits of the highway when it crosses the right of way, and the highway fence lets the railroad roadway through. Warning signals, gates, and whistle posts are devices to reduce the risk of accidents at grade crossings. Street assessments are an incident of street crossings, and sewer assessments are the tribute of the roadway to abutting property holders. Slow and stop boards are frequently related to interruptions to the train movement imposed by public crossings. With these signs are included, by what appears to be defective analogy, the signs along the roadway which have no reference to crossings but are a facility to the movement of trains, such as those indicating yard limits, water stations, section or county lines, also mile posts and tunnel cautions.

As a maintenance account, "Grade Crossings, Cattle Guards and Signs" is responsible for the upkeep of these structures and appliances. This upkeep includes the sprinkling with water or oil of the street grade crossings when required. But warning hand signal lights used by the crossing watchmen are not considered a maintenance expense and are charged with other like supplies to "Crossing Flagmen and Gatemen," under Transportation Expenses.

Station and telegraph signs, fences and hedges around building sites and shop grounds and their paved ways within the

limits of or immediately adjacent to the buildings are part of the building plant, and are not maintained by this account.

In the elimination of grade crossings which are charged to Additions and Betterments, all incidental maintenance of the crossing during the progress of the work is chargeable to this account.

12. Snow and Sand Fences and Snowsheds. Protection against snow and sand drifts and avalanches on some roads is so large an undertaking as to require a special outfit of snow fences, both portable and fixed, and extended lines of snowsheds. The permanent character and extent of such special facilities render a separate account desirable to trace their maintenance expense.

In this account, together with the direct maintenance of these things, is included all expense incidental to this maintenance, such as watchmen and fire protection for snowsheds. The real purpose of the account being to provide for maintenance of all facilities to protect the roadway from snow, the cost of planting and caring for tree windbreaks is construed to be in the same class with repairs of snow fences.

The actual placing of portable snow fences, however, is carried, together with the direct expense of fighting the snow to keep the roadway open, to "Removal of Snow, Sand and Ice." This is because it has direct relation to the emergency, and includes no deferred results of its own maintenance.

This account is to meet extraordinary conditions only. Any part of its snow or sand fences which also serves the first and more regular use of fencing right of way, and is not in addition to regular right of way fencing at that point, is considered regular fence, and its maintenance is not charged here.

13. Signals and Interlocking Plants. Every railroad has some form of mechanical signals for communicating with moving trains. Being mechanically operated and located at fixed points, their action is more precise and reliable than any hand signals. The installations are of every variety: Some are mere manually-

operated, simple semaphore signals in control of the station agent at train-order points, and having no mechanical connection with the tracks; others are automatic signals, or elaborate installations, mechanically interlocked with the tracks they control and with signals controlling opposing combinations, so that conflicting movements are mechanically impossible.

To perform such service in large and complex terminals involves a plant of levers, communicating mechanism, power generators of boiler, engine and dynamo; air compressors, and a building called a "tower" to house the whole; these in their entirety constitute the interlocking plant.

Such performance also requires an installation of signals that convert the mechanical movements which are communicated from the levers in the tower to the signal post or signal bridge over the track, into visible instructions to the engineman on the locomotive. Block, automatic and semi-automatic signals are carried to a sub-class by themselves because they represent a general system of signals controlling line of road train movement as distinguished from miscellaneous home and distant signals, train order and flag station signals.

Finally, the signal service requires the signal post or bridge on which the signal is carried, and the bonding of rails to perfect the track circuits.

The expense charged against the "Signals and Interlocking Plant" is all direct expense for labor, material, special tools and supplies applied to their maintenance. Signals, apparently, are considered a highly specialized phase of the railroad maintenance because the salary, office and travelling expenses (except stationery and printing, presumably) of the entire signal engineer corps are charged to this account, and not left in "Superintendence" as in the case of "Bridges."

The plant is *maintained* by this account, but *operated* by a Transportation account. To the operating account, therefore, and not here, are carried the cost of the fuel, rent of sources of

water supply, cost of oil for power and lubrication. But the salting of the switches which are closely engaged with the interlocking mechanism is a charge to the M. of W. and S. account of "Removal of Snow, Sand and Ice," because it is a cost imposed by weather conditions.

Repairs to interlocking, block and other signal systems, including their elevation or depression and the cost of changing connections or locations of semaphores and other signals, during the progress of betterment work are chargeable to this account.

14. Telegraph and Telephone Lines. A system of instantaneous communication between all points of a railroad is indispensable to railroad operation,—primarily for the purposes of train movement, and next for efficient administration. The telegraph and telephone together or interchangeably form such a system.

The telegraph service as found on the railroad to-day is a joint undertaking of the railroad and telegraph company performing a double service, of "company business" and "commercial business." Although details may differ, the general basis of the arrangement is the same on all roads, hence the account specifies the maintenance of "lines owned by a carrier or for which it is responsible."

The company uses the telegraph (or the telephone) for train orders and for ordinary rush communications. The distinction between the expense of despatching and of transmitting ordinary messages is made in the "Transportation Expenses," but the M. of W. and S. account includes the maintenance of all telegraph installations and offices, whether despatchers' or ordinary operators', for which the railroad is responsible.

The plant maintained is the wire or cable, the supporting structure of poles, cross arms, or of conduits, with their insulators; the battery jars in which the current is generated, the switchboard by which the circuits are manipulated, the instruments (telegraph or telephone) by which the messages are

sent and received. From a simple Morse key, the instrument has come to include a telephone, a typewriter telegraph, or a telautograph.

Maintenance is the upkeep in working order of the lines, switches, connections, instruments and generators, but the actual supplying of electric current is a Transportation expense, because it is directly related to daily use.

Telegraph and telephone lines are a part of the fixed type of the road, hence charges for stationery and printing or injuries to persons which may be incurred, go to the general M. of W. and S. accounts of these designations; but the *special* tools or the cost of telegraph superintendents and their staffs are specific to the telegraph and telephone lines and are not charged respectively to "Roadway Tools" and "Superintendence."

This account includes labor and material (less salvage) and the cost of work-train service used, which is made to include the work train, wages, fuel, oil, lanterns for the time used, but not the maintenance of the work train, which is a charge to M. of E.

Salaries and expenses of officials dividing their time between the maintenance and the operation of the plant, are apportioned equally between M. of W. and S. and Transportation Expense under the "Telephone and Telegraph" account.

Telephone and telegraph lines perform practically the same kind of work in two different ways; part of the plant is actually common to both and the skill, material and supplies used in the parts not common to both, are closely similar and greatly unlike the skill, material and supplies used in any other form of railroad maintenance except the power generation and transmission systems. For these reasons they together form a classification under M. of W. and S.

An additional telephone or telegraph line, or an additional wire on an existing pole line or an improvement in the quality of a wire by substitution of a new wire for an inferior wire, are Additions and Betterments,—“Telegraph and Telephone Lines,”

and not charged to this account: provided such work amounts to as much as \$200.

Comment: In recognizing improved quality as betterment the I. C. C. classification violates the contrary principle laid down with reference to rail, ties and ballast.

15. Electric Power Transmission. The substitution of a single power generating plant for many complete independent power units (steam locomotives) scattered over the line, has called into use a transmission system, from the generating point to the moving units or trains up and down the road. In order to reduce leakage, the power is transmitted in the form of high tension alternating current. At or near the point where the power is used the current is stepped down through a transformer to the voltage of the motor which pulls the train. In case the motors operate on direct current, the current is at the same time converted from alternating to direct. It is then, under either method, delivered to the shoe of the motor by a local transmission system of feed lines and third rail or trolley wires. The wires from the generating station to the sub-station and from the sub-station to shoe of the motor, with the third rail, are the electric power transmission system. With the wires are included the supporting structures of poles, cross-arms, brackets, bonding of the rails; safety and insulating devices; facilities for manipulating the circuits and the current (when outside of the power-house or sub-station), as switchboards, switches, cutouts and transformers. When in power-house and sub-stations, these appliances are a part of the "Power Plant Equipment" and their maintenance is charged to the M. of E. account under that head.

This account provides for the expense in labor and material (less salvage) used in repairing and renewing the appliances described. The labor is the direct wage expense of electricians, mechanics and other employees when employed in repairing and renewing electric power transmission lines. The electric engi-

neers' expense is not specified but is presumably classed with other M. of W. and S. expense under "Superintendence." With these expenses is also included the work-train expense of wages and supplies for work-train service that may have been used in the maintenance of the transmission system.

Additional systems for the electric transmission of power and the "excess cost of improved transmission lines, over the cost of replacing in kind property of like purpose abandoned" are classed as Additions and Betterments.

16. Buildings, Fixtures and Grounds. A railroad's business is hauling loaded trains. The vast volume of secondary operations, in last analysis, is devoted to this physical result. These secondary operations include the incidental services in connection with the haul, and the auxiliary processes by which the primary function of making the loaded haul is performed. These auxiliary processes involve men and machinery which must be *housed*.

Housing expense is primarily upkeep, and this upkeep against wear, accident, weather, physical age and obsolescence is different from the upkeep of other things, as roadbed and bridges, against some of the same factors in different combinations. Therefore, in the general function performed, on the one hand, and in the condition determining their maintenance expense, on the other hand, the housing structures form a valid class by themselves. These housing structures are bulked under the designation, "Buildings, Fixtures and Grounds." To the buildings that strictly "house" are added detached station platforms or milk platforms, which are places of deposit rather than shelter. The idea is further extended to include a class of structures which serve as distributing supply depots, such as coaling chutes, water stations, and water troughs. The notion is carried yet one stage further to include structures operated directly in connection with these buildings,—as track scales and mail cranes, turntables and drop pits.

The account includes the expense of maintenance of the above described housing structures along the right of way (docks, wharves and buildings of interlocking plants are exempted), incidental to the railroads' operation. These, unlike bridges, snowsheds, signals and interlocking plants, are not an integral part of the roadway over which the trains move. Docks and wharves are not included because they are not "houses." Buildings upon the docks and wharves, however, are included because they are "houses."

The structures which come under the description given are first, the terminal facilities for handling, equipping and despatching the train,—as, the roundhouse, coal chute, water station, oil house, air and gas compressor houses, car cleaners' shed, sand house, turntable, watchman's box, yard telegraph office, and power house. They are next, the buildings used for receiving, delivering, transferring and storing freight, mail, milk, and express, and for the accommodation of passengers. These buildings are freight and passenger stations, baggage rooms, coal storage grounds, coal pockets, and (when not outside operations) elevators, stock pens, track scales. They are next, the buildings incidental to the work of maintenance of the rolling stock and the roadway,—as shops, roundhouses, storehouses, pumping, section and tool houses, and division offices. Finally, they are the buildings used by those who secure the traffic, and those who have the general administration of the property.

Any buildings which produce a direct revenue of their own which is not included in railroad operating revenues are not maintained at the expense of this account because their particular expense should be made to offset their particular revenue. Such structures of Outside Operations would be eating houses, hotels, stock pens, grain elevators, ice houses, cold storage plants, and other buildings when intended to be on a self-sustaining basis.

Maintenance of "Buildings" includes the maintenance of

excavation, foundation, stairways and approaches, station subways, and station overhead footbridges, and of installations for the protection of the buildings against fire, tide, washouts,—as water mains and fire plugs, fire engines, hose, hose carts, payments to municipalities or others for fire protection, breakwaters, walls and embankments, and signs on the building.

The building to be maintained, in addition to its essential parts and the special installations to protect it, includes the fixtures and machinery that equip it for *general use*. The line between fixtures whose maintenance is a part of the maintenance of the building, and mere furniture which is an office expense, is necessarily arbitrary. But the general principle of the distinction is that an article specially designed for that particular building or a limited number of its class, that could have little or no use elsewhere, or that is fitted to the building so that it could not easily be removed and adapted to other uses, is a fixture. All other articles which are not supplies are furniture. The line is drawn at that point because the fixtures or attachments are more or less inseparable from the building: their life corresponds in a measure with the life of the building, and their usefulness must be consumed with it. Many of the fixtures are in the doubtful region between those things that are of definitely direct consumption, such as supplies or small articles of furniture, and those things that serve a long use as a fixed property. Illustrations of fixtures would be bunkers, counters, file cases, wash-bowls, water-coolers, when built in as part of the structure.

The machinery included as a part of the building is the machinery that serves *general* uses (except that if the building is merely a structure and highly specialized to one use, as, for instance, in coal chutes or water stations, the special machinery in such cases would go with the structure as an integral part). Machinery for manufacture or repair is not for the general uses of the building in which it is placed, and therefore the foundation only, or the framework only which carries the shafting, is

considered a part of the building, and all of the machinery above the foundation constitutes a plant of "Shop Machinery and Tools," which is maintained under an account of that name in the M. of E. expense block. In illustration of the distinction described, a boiler for heating purposes is for *general* uses, and its maintenance is charged to "Buildings, Fixtures and Grounds." But a boiler to run a shop engine is "Shop Tools and Machinery."

Maintenance includes the repairs and renewals of the entire structure or parts of it; painting, glazing, papering and decorating, which essentially differ from the occupancy expense of cleaning, because their effects last longer. It includes cleaning of snow from roofs because this is a condition of upkeep imposed by weather and not use, although the effect is transient. A part of the maintenance expense of a building is the expense of its removal when superseded,—which is the restoration of the *status quo* before the building was in use. Cost of additional land for buildings when chargeable to expense, is lodged here.

The maintenance expense includes the direct labor and direct supervision, and material (less salvage) and other like expense. Work-train expense is charged where it is used, and includes the incidental wages and supplies, but not the maintenance of the equipment used.

With the buildings is included the accessories called "Grounds." These are terracing, wells, streets, sewers, reservoirs, fencing between tracks (because incidental to station use and not roadway), and fencing around grounds; parking of lawns; trees, shrubs, flower beds, driveways, ponds and ornamental walks. Maintenance of grounds is defined as "the laying out, cleaning (except ordinary cleaning performed by station cleaners), grading, draining, mowing and beautifying" of the grounds. Such work is the maintenance (except that the laying out, grading and draining, if extensive, are Additions and Betterments) against weather conditions, corresponding to like

maintenance of roadway. But sprinkling of streets about buildings is not maintenance because it is the current restoration account of wear, like the scrubbing of the floor. Cost of restoring grounds after betterment work is charged to Operating Expenses.

If any of the above work is paid for by special tax assessment, the nature of the charge is the same as if the work had been performed directly.

Frequently railroads develop a special staff and plant of nurseries to care for station grounds. Such departments are not a part of the fixed type of railroad operation, so all their outlays are absorbed in this account "Grounds" as a current expense.

On the theory that a water station is a "building," the signal light at the end of a water trough is charged to this account. It has been ruled that planks laid at the track side for convenience of passengers alighting are "station buildings," although there may be no station at that point (Case 554).

Comment: This account is altogether too inclusive. It should be first subdivided according to the general uses which the buildings serve, and next according to certain broad classifications of type of construction. M. of W. and S. should primarily include only the maintenance of those structures which are directly used in performing the services of transportation. Buildings that house the shop operations or administrative forces serve a secondary purpose. The burden of their maintenance should be borne by the use which they serve. A classification which places in the same category the maintenance of the masonry of a stone building and its foundation with the maintenance of the plumbing of a fountain that plays in the shop grounds, or the maintenance of a hothouse (of glass) that grows complimentary nosegays for passengers can hardly be construed to serve any other purpose than the making of fantastic totals of figures.

17. Docks and Wharves. The railroad is carried on road-

bed or bridge. When one of the termini of the roadway (or section of the through line) abuts on a waterfront with facilities for transferring the traffic to boats, the structure over which the transfer is made is designated "Docks and Wharves." This structure may be a simple stringpiece, or it may be an extensive wharf covered with a shed, and fitted with all the appliances for transshipment. Broadly speaking, "Docks and Wharves" is the entire plant of water-way or berth called "dock"; and of "wharf," including substructure and superstructure (but not the track, nor the buildings on the wharves, nor their machinery and appliances for transferring freight). The track is excepted from the wharf structure on which it is laid, upon the theory that it is performing the regular function of track in the same way as if it were on the open roadway, or in tunnels, or at terminals other than docks and wharves.

The ferry slips, transfer bridges and pontoons are a part of the plant of docks and wharves because of their special character. With these structures and the dock (berthing slip) are included all devices for the protection of the structure, or the channel in the slip,—such as crib work, racks, or caissons, or guard piling to protect from damage by drift or ice.

Maintenance includes repairs and renewals of the structures described. The maintenance is against weather, erosion, damage by ice or drift, clogging of channel in and out of the slip by deposits of sand or mud. The expense of this maintenance includes the primary cost of material less salvage, and also the pay of supervisor of docks, whose services are special to this class of structure and therefore not included in the class of "Superintendence."

Work train expense for wages and supplies incurred by use of work train in and about docks and wharves, is a charge to this account.

A transfer or float bridge is that part of the Docks and Wharves plant by which the railroad makes delivery to the con-

necting water carrier. Its track is handled like the track of the wharf proper.

18. Roadway Tools and Supplies. A tools account specially illustrates the principle on which the classification of expenses is constructed. In doing a number of different things there arises the need for some incidental accessory which meets in turn the requirements of each of the things done,—all in general but no one in particular. This accessory comes to be a regular feature of doing these things. It becomes therefore a fixed incident and is set up as a definite objective, although it is merely the means to a further set of results. Accordingly it is put into a permanent expense account.

This tools account includes those tools and supplies that are not special for any one service. The large tools called “Work Equipment,” such as work cars of all kinds pulled by power, pile drivers, snow plows, steam shovels, wrecking cars, etc., are withdrawn from the roadway tools because they are larger and not of so miscellaneous a character, and therefore can be and should be followed closely. The line between tools and the larger implements called “Work Equipment” seems to be drawn by classing those contrivances which ride on the rail and are moved by locomotives as “Work Equipment,” and the others as “Tools.” Thus the hand-car, push-car and velocipede move on the rail but are not propelled by the locomotive and are counted as “Roadway Tools,” and the pile driver not on cars and therefore not riding on the rails is also a “Roadway Tool,” but the steam shovel or the gravel car, moving on the rails and propelled by train power, is “Work Equipment.” It has been ruled that a small motor inspection car classifies not as a passenger train car but as “Roadway Tools” (Case 464).

“Supplies” differ from tools in the respect that they are consumed with a single use, whereas tools can be used very many times before they wear out. But because the items which form the tool account are individually so small and so miscellaneous

it is impracticable to set them up on the books and follow them with a maintenance expense that shall hold them intact. They are therefore classed with supplies and "charged out" as purchased, as if they were physically consumed with use. We are in this way relieved from making the distinction between a tool and supplies, which at the last reduces to an arbitrary refinement. "Stationery," however, is a special line of supplies which by time-honored custom is considered always to be a class by itself, under the heading of "Stationery and Printing," and withdrawn from this account. Surveying and drafting instruments are considered a special engineering or office facility and are not classed as "Tools," but are charged as an office expense of "Superintendence."

The articles which conform to the description given are tools for working rock, dirt, iron and wood,—such as stone drills, sledges, crow bars, shovels, picks, hoes, post hole diggers, portable furnaces, steel cutting saws and drills, chisels, hammers, saws; they are implements for handling ballast, ties, bridge timber, such as ballast forks, tamping bars, railbenders, rail tongs, adzes, spike mauls, spike pullers, cant hooks, track jacks and track levels.

The supplies are oil for lighting and lubrication, coal, waste, flags, lanterns, ice and oatmeal for drinking water, and similar material.

The tools and supplies described above are charged to this account when used in repairs of track, buildings, bridges, docks and wharves, or any other M. of W. and S. work, but with the following exceptions: tools and supplies used on work trains are part of the work train expense and cleared as a whole direct to the work done; supplies used by bridge foremen or watchmen or in the repairs of stationary engines at draw bridges; tools specially furnished for removing snow, sand and ice; tools and supplies cleared through "Gravel Pit or Quarry accounts"; supplies furnished snow shed watchmen; special tools in main-

tenance of signals and interlocking plants and in telegraph and telephone and power transmission lines. These exceptions are due to the fact that in the uses specified as exceptions the tools and supplies are of a special character, and have no general serviceability. .

19. Injuries to Persons. The modern theory is that a product shall bear all the expense incident to its production, including the expense of accidents. This theory is reflected in the revision of the former I. C. C. classification of expenses. Whereas "Injuries to Persons" was formerly a charge to a single account for the road as a whole it is now located to particular departments as a part of their particular expense.

Accidents arise directly from careless acts, or indirectly from careless acts which are responsible for defective construction. A department assumes the personal injuries expense for all accidents caused directly by careless acts of its own men (for which the railroad is held responsible) regardless whether the victim be its own employee, the employee of another department, a passenger, or anybody else. For instance, it has been ruled that the expense for a track man killed by a passenger or freight train is chargeable to Transportation Expenses, while in case of a prospective passenger at a station, killed by a work train, the charge is a M. of W. and S. expense (Case 165).

But accidents due to defective construction appear to be considered as part of the general risks of the business which each department assumes according as it may be exposed, unless the accident be in transportation service, when the Transportation Department assumes the full responsibility of safe transport. Thus the expense of injury to a shop employee due to construction of the building in which he worked would presumably be a M. of E. expense although the original fault might lie with the department of M. of W. and S. The "Personal Injury" expense arising from a derailment caused by a broken rail would be charged to Transportation Expense, regardless

whether the persons injured were "pay" passengers, Transportation Department employees or M. of W. and S. Department employees, provided only they were in the care of the Transportation Department for safe transport (Case 164). But if the party injured is not the employee of another department, nor a passenger, and the accident is due to defective work of the M. of W. and S. Department the expense is borne by the department at fault. Thus injury to persons at a road crossing, due to faulty construction is charged to "Injury to Persons," M. of W. and S. (Case 304). This interpretation of the classification for damages for personal injury, differs from the apparent intent in case of property damaged. In case of property damage, each department bears its own expense of restoring conditions, regardless which department was at fault, whether by direct act or as a secondary consequence of an act, through defective construction (Case 392).

The expense of "Injuries to Persons," includes, together with the actual amount of personal injury settlements, all doctors, nurses, attendants, hospital and funeral expenses and incidental transportation. The staff of claim adjusters, like that of physicians, is not considered a part of the fixed staff of the road, but its expense is absorbed in the accounts where the settlements which they adjust are charged. When other departments (except the Law Department) are drawn upon, in adjusting claims, any expense incurred or loss of time, is billed to this account. Incidental legal services, because performed by a staff which generally is a part of the standing organization, and because performed in the line of its regular duty, are not a charge to this account; but expenses such as plaintiff's court costs, when paid by the railroad, and wages and traveling expenses of employees attending court, are expenses specific to the case involved and are chargeable to this account (Case 34).

Contributions by the railroad as a whole to the support of hospitals, are arbitrarily apportioned, one fourth to M. of W.

and S., one fourth to M. of E., and one half to Transportation Expenses, under the "Injuries to Persons" primary account.

Because of the contingent character of this account it is permissible to apportion it monthly on some arbitrary basis, by setting up a reserve or insurance fund to meet the actual charges, but such arbitrary charges must be adjusted annually to the total of the actual charges in order to include in the year's expenses the actual expenses of that year.

20. Stationery and Printing. Administration involves office work for handling correspondence, pay-rolls, documents, drawings and studies. "Stationery and Printing" is the term used to cover stationery supplies and a certain class of tools for office use. Stationery supplies are distinct from general office supplies such as ice, water, cleaning material, fuel for heat, or oil for light, or chemicals for telegraph service, or commissary supplies for special cars. They are directly related to some form of stationery or the use of stationery,—such as postage, pens, sponges, tracing cloth, twine, binders, wrapping paper, ink stands, mucilage, paper weights, etc.

The tools for office work which are included are typewriters, calculating machines, addressographs, dating stamps, pencil sharpeners, water holders, copying presses, mimeographs and like articles. These items are primarily desk facilities which have latterly been so perfected that some of them have become machines of greater compass and value than the desk itself. Nevertheless, they are not put in the class of desks, chairs and furniture, which latter are classed as "Office and Other Expenses," under "Superintendence." "Stationery and Printing" apparently began with simple items of desk facility, such as pens, ink, pencils, pen racks, blotters and ink stands,—small items nearly of the nature of supplies, the distinguishing characteristic of supplies being that they are consumed as issued. Dictionaries, periodicals and technical books are somewhat of the nature of office tools, but they are classified as office

supplies under "Superintendence." This is possibly upon the theory that they are for the more especial use of the official rather than of his staff.

Stationery for reports from one office to another is generally chargeable to the offices where the reports issue, somewhat on the theory that a telephone expense falls upon the party making the call. With stationery supplies is charged as stationery expense any incidental expense of procuring and distributing it.

This account of "Stationery and Printing" is distinctly an administrative expense. It is generally the largest item of office expense. The things here charged may be direct labor savers in the office, but at all times, as facilitating supervision, they indirectly effect savings elsewhere. The offsets to the increases here may be very much larger decreases elsewhere.

Comment: We are inclined to think that "Stationery and Printing" does not, from its character, justify a heading of expense for it alone. It is a large item, but we believe it to be practically of the same class as "Office and Other Expenses." The factors that control it are more closely related to the office where the expense occurs than to any inherent, all pervasive quality running through the items of material whose expense is brought together here. It is an obsolete classification.

21. Other Expenses. This account is necessary for factors that cannot be foreseen. Items chargeable here are of an extraordinary character, such as special expenses in case of strikes or in the entertainment of visitors, or special donations not otherwise provided for. But premiums awarded for excellent work are charged under "Superintendence."

22-23. Maintaining Joint Tracks, Yards and Other Facilities, Dr. and Cr. In the interlacing of the transportation systems there are many terminals which for the sake of convenience and economy are made to serve two or more carriers jointly although the property of but one carrier. The charges and credits must be exchanged to cover such service, but at the

same time it is important to keep the detail statistics in such form that expense items shall be offset by their units of property and operation. As a device to accomplish this the above accounts have been set up. By this means a railroad can charge out to its several items the maintenance of a yard which it operates and then without disturbing such statistical accounts, can take through this account, in a lump offset, the credit by the amount of the debit passed to the other railroad. The other railroad in turn, by the same device of the debit side absorbs the expense but does not disturb its detail expense accounts.

When one of the carriers does not report to the I. C. C. the account "Maintaining Joint Tracks, Yards and Other Facilities," does not apply to the amount that such non-reporting carrier is involved. The portion involving a non-reporting carrier should be withdrawn and handled like any ordinary bill. Joint facilities bills should be divided into the part corresponding to expenses of maintenance and operation and the part corresponding to rents, and applied directly to accounts and primary accounts affected from the joint facilities accounts as debits or credits as the case may be. This account was set up as a device for leaving undisturbed in a carrier's accounts its detail of expenses against its units of operation, and for avoiding the consequent duplications when the figures of all the railroads were aggregated. In case the other carrier does not report to the I. C. C. under this plan, there can be no duplication.

CHAPTER III

MAINTENANCE OF EQUIPMENT

This block of expenses includes the cost of upkeep of the equipment of the railroad, which equipment is, technically, moving units. Such are primarily the moving units in commercial service, as the cars and coaches, locomotives and motors that move on the rail, and the floats, barges, ferries and tug boats that move on the water (except such as are used in Outside Operations).

In addition to the equipment used in commercial service is included equipment used in non-commercial ("company") service, such as work train cars and locomotives. These expenses are further made to embrace all large roadway tools which move on the rails and are not propelled by hand or by small motors,—as snow plows, steam shovels, and wrecking derricks.

The repairs, the renewals, and the depreciation are comprehended in this group of expenses, and are itemized because they severally bear different relations to the uses of the current month in which charged. The expenses contemplate an organization and a supervising staff with a plant, tools and office facilities with which to work. The organization takes care of its own personal injuries, its supplies and unusual expenses, but does not assume charges for the investment involved in its plant, nor for the maintenance of such plant. We believe the scheme of the classification to be defective in the two particulars last named.

Repairs, Renewals and Depreciation. The upkeep of equipment embraces every kind of maintenance work and

expense applied to this equipment, from the tightening of a nut to the replacing of an entire locomotive or car. The theory of maintenance is what the word literally implies, namely the maintaining of the equipment against wear and deterioration, in the same condition in which it was originally received. But this is a theoretical conception of maintenance which in day to day practice cannot be exactly carried out. The processes of wear and deterioration go on all the time, with more or less regularity, but the repairs to restore the worn and wasted parts come at intervals. Between prime condition and unserviceable condition is a wide margin, through which the equipment unit passes from the time of one "shopping" until another "shopping"—or between the original purchase of a new locomotive or car and its ultimate scrapping when replaced by a new locomotive or car. The equipment unit itself is composed of a great many parts, having various periods of normal life. Thus, on the locomotive there is the wear of packing rings, brake shoes, and tires which has to be currently provided for, and there is the decline of the fire box which may last many years before replacement. And between these extremes are all gradations. The purpose of an expense classification is to set cause against effect,—that is to group against productivity of a certain period—which we will call the result—the expenses which contributed to this result,—which expenses we will call the cause. In a scale where the gradations of upkeep as indicated above, are so imperceptible, there must be some arbitrary point below which we consider the expenses a direct off-set to current use and productivity, and above which we assume the expenses produce a serviceability over an extended period. This distinction is made in the use of the common words, "Repairs and Renewals." "Repairs" of equipment is understood to be all upkeep short of the actual replacement of the engine or car by a new engine or car. "Renewals" is defined to be only those expenses which come at the time of the demolition of the

entire equipment unit. It must be clearly understood that this distinction, in last refinement, is an arbitrary one, but in applying it in the compilation of figures to large aggregates, it serves as a significant grouping of figures for practical purposes. If at any time the renewals run high, it is a fair deduction that we are accumulating a reserve in our equipment above the line of minimum serviceability, and this reserve is not all consumed in the current earning period.

To avoid this irregularity the statistician endeavors to deduce from the actual renewals over a period, a formula of the normal rate of deterioration per year for all of his equipment of different classes. On the basis of this formula he arbitrarily charges expenses, under the designation of depreciation and sets up a replacement fund. Here he accumulates month by month the values on which he may draw when the actual renewal takes place. When an equipment unit is actually demolished the expense of the new unit is charged to the replacement fund, and only the excess, if there be any above the amount which has been previously accumulated in the replacement fund, is charged to renewals. "Renewals" becomes, as it were, the adjustment account through which any deficiency of the formula for depreciation is charged to expenses.

In M. of W. and S. there is no general distinction between repairs and renewals, nor is there any provision for a depreciation charge on the basis of formula. This does not mean that M. of W. and S. is in any way essentially different from M. of E. except that equipment comes in fairly uniform units, while the parts of the way and structures are irregular, and most of them are not detachable entities. In M. of E., the equipment unit serves as an arbitrary dividing line between repairs and renewals. In theory, replacement of parts less than the complete unit is repairs; replacement of the complete unit is renewal. In practice the ruling is "When any equipment is in such physical condition that it must be practically rebuilt in

order to fit it for service, or when any equipment requires repairs which, if made, would constitute the major portion of its value, it should, when taken out of service, be considered as retired and be written out of the accounts . . . upon being rebuilt, the cost of replacing in kind the equipment as rebuilt, (consideration being given to second-hand parts remaining therein) should be charged to this account." (Additions and Betterments—"Equipment".)

Locomotives and cars have so many parts and appurtenances which may be added or left off, or made to conform to different standards that the line between repairs and renewals, on the one hand, and Additions and Betterments on the other hand, is not always easy to define. Maintenance extends to the point of replacement in kind. This replacement in kind, as we have seen, means a replacement that continues the function of the thing replaced without adding to or deducting from that function in its efficient relation to all the other parts. To change the efficient life period of a thing is to so far change its function. To change the capacity of a thing is to change its function in the same degree. To change the maintenance cost of a thing by redesign is to change its economic function among the body of other things with which it functions. As noted in an earlier chapter, the obsolescence (change of function) which is left to be absorbed by maintenance is very loosely defined. By the same token the betterment (change of function) which is charged to Additions and Betterments is left, for the time, very much to local determination in equipment disbursements. The practice of railroads tends to absorb in expenses the cost of new appliances and betterments which are to meet requirements imposed on the railroads without corresponding effect on their net revenue. Automatic couplers and safety devices are in this class.

24. Superintendence. Under the subhead of "Pay of Officers" this account includes the salary expense of the super-

vising officers and assistant officials. These are designated as "Officers" directly in charge of equipment. The administrative officers included, range from vice-president to master car builder, master machanic and general foreman. With each official is included the assistant official, if he has such a title.

Next after the administrative officer is included the trained expert having official title, such as the mechanical engineer, the electrical engineer, and the chemist. The staff officer who inspects under such titles as chief car inspector, or traveling boiler inspector, is considered likewise of the official family, and his salary expense is charged here.

All of these officials are related to the general function of maintaining equipment, either cars or locomotives or both. They have under them a foreman whose expense is not charged to this general account, but is "loaded" on the direct labor expense of the workmen under his supervision. For illustration, this account reaches down the grades of administrative officers to the rank of general foreman. This man has under him several shop foremen, each of whom may have in turn several gang foremen. All the men below the rank of general foreman are a direct expense to the work done by their workmen.

"Superintendence" is conceived to be a different thing from supervision. The former, for instance, includes the pay of chief car inspector and general car inspector, but not of local supervising car inspector. This last official's duties come under the term "Supervision." "Superintendence covers officials having territorial jurisdiction over several points or several departments" (Case 264).

The equipment is maintained by the M. of E. Department, but it is operated by the Transportation Department. The way it is used in service is a large factor in the cost of its maintenance, so travelling inspectors such as road foremen of engines are employed to instruct the men in the use of the equipment. These are operating men and their expense is charged to Trans-

portation Expenses because equipment is supposed to be used in some standard way, and these men are to enforce such standard. But the inspection of cars or locomotive boilers is an inspection of the equipment itself, and therefore is a M. of E. expense.

The salary expense of the staff of clerks and attendants belonging to officials designated above, is lodged under the subhead "Pay of Clerks and Attendants." All these are on a salary basis or are practically a fixed force. They may include expert service not of official rank, such as draftsmen. The clerks and attendants adjust themselves to all the shifting requirements of administration. The office is supposed to keep its own house in order, and in interchanges with other offices or departments to meet the other offices half way. But in the re-arrangement of function of some of the other offices or departments dealt with, the burden is irregularly shifted back and forth between them, without any very well defined principle as a guide. For instance the auditor extends his functions to compile the pay-rolls previously made by the office itself. Shall this expense remain here at the local point in form of a proportionate charge of the whole, or shall the general office bear the full expense although its added burden is directly to release the local office? Because the general accounting office is in process of evolution and its ultimate definition of function has not yet been given, this is a difficult question.

The expense of officers and staff constituting this account of "Superintendence" is for the maintenance of equipment. Should any considerable part of the time of such officers be regularly devoted to service of other departments, a corresponding charge must be made. In case of an officer having direct jurisdiction over two or more departments his salary is apportioned. To avoid quibbling in a matter where no formula could be exactly justified this division is made arbitrarily of an equal amount to each such department served.

The two foregoing subheads are confined to the salaried

expense of "Superintendence." The subhead "Office and Other Expenses" embraces all disbursements (except for stationery and printing) for other than labor, or for the very occasional labor that does not go on the pay-roll and is treated as an expense,—such as an occasional day's work cleaning office, or repairing furniture. These disbursements are for supplies, (not stationery) for furniture, telephone and telegraph service, heat, light, ice and similar items of office expense. Travelling and incidental personal expenses, cost of special trains used, official association dues, fidelity bond premiums are of the same general character.

Drafting, engineering and scientific instruments are a specialized form of supplies. Because of their special character and use, they are not included in the account "Stationery and Printing." Some of them are very expensive and may last indefinitely, nevertheless they are "charged out" when received.

25. Steam Locomotives—Repairs. A steam locomotive is understood to be a detached and complete moving power unit in commercial service together with its tender to carry the necessary supply of fuel and water. In case of a gasoline car for passenger business, the "locomotive feature" is classed with steam locomotives, and the "car feature" as passenger train car. The regular steam locomotive consists essentially of frame, running gear, firebox, boiler, machinery, (including cylinders) and accessories as cab, headlights, signals, etc. These several parts develop a lot of attachments which as a whole constitute the equipment and fixtures of the locomotive. Some of the parts and all of the appliances are renewed separately as they fail. By way of illustration we may mention brasses, keys, oil cups, air signal equipment, brake fixtures, gongs, seat boxes, tool boxes and tools, head lamps, etc. All these taken together with the other parts constitute the "locomotive available for service" which M. of E. must maintain. Many of the parts must be renewed so frequently that they are

practically of the character of supplies, though not so considered. Other parts like the boiler (as a whole) may not be renewed oftener than once in five years, and the firebox once in ten years. It frequently happens that this process of renewal may go on, consecutively replacing piece by piece as it gives out, until in time we have practically a new locomotive. The identity has been preserved only in the general design, or perhaps in the frame, which has remained intact. In this way it happens that some locomotives which are over forty years old are still in service.

To the maintenance of the locomotive are charged all the labor, material and supplies (less salvage) used in repair work, all the incidental inspection to locate the defects to be repaired and to accept the work when done, and also all the direct supervision (not superintendence). As a part of the price of material or appliances, is necessarily included the payment of royalties,—the cost of patent rights on things used. This is done on the theory that such payments more nearly approximate a maintenance expense than a rental charge. In the same manner, any other labor,—preparing the engine for repairs, or restoring it after repairs,—is incidental to the repair work. The expense of cutting up condemned locomotives and tenders is an extraordinary illustration of this principle that any particular thing maintained, any job or class of work, comprises all the incidents of such particular thing, job or class of work. Each particular item of maintenance work must “clean up,” that is, must restore the *status quo* which it may have disturbed. This expense of cutting up a locomotive is not carried over into the value of the scrap produced, because the determining factor in the value of scrap is not the cost of producing the scrap, but the price that the market offers. With the direct supervision, because it is of the same general character, is charged a proportion of the clearing account Shop Expenses, which is set up to take care of the miscellaneous current shop items of heat, light,

supervision and labor (not superintendence). “Repairs” are confined to *repairs* of the equipment unit and to *renewal* of *parts* of the equipment unit, for reasons set forth in the foregoing discussion of “Repairs, Renewals and Depreciation.”

Maintenance is not only against wear and deterioration but also against accident. The theory is that accidents, however much to be deplored, are, in their aggregate, an inseparable incident of use and the M. of E. Department must provide against them as against any other contingency.

Insurance recovered is credited to this account because it defrays the cost of the repairs so far as these repairs are due to accidents for which the insurance is carried.

Accidents to equipment when travelling under revenue way bills being offset by revenue, classify with all other accidents which are incident to the production of revenue and the resulting repair expense is charged to “Loss and Damage,”—the regular account for accidents expense incidental to hauling revenue freight. Repairs expense for damage to the equipment of another road (as by collision) classifies with any other “damage to Property” incidental to operation, such as fire losses caused by locomotive sparks.

Comment: The miscellaneous character of the appurtenances and parts of the locomotive render a categorical definition of Additions and Betterments as distinguished from repairs, an intricate matter. At present, railroads are largely left to their own devices. One great system has made the ruling for its own guidance that the following items shall be classed as Additions and Betterments—and not as “repairs.”

“Additions” (first cost):

Automatic stokers.

Superheaters.

Fire extinguishers on switch engines where pump is used.

“Betterments” (the excess cost of the following improved devices over the article replaced):

Tender frame (cast steel), replacing wood.

Wooden composite bolsters of tender trucks replaced with cast steel and all metal.

Front end sill, cast steel replacing wood.

Application of Franklin fire doors.

Application of air pumps of greater capacity.

Changing New York driving brake equipment to L. T.

Changing trailers from inside to outside bearing.

Changing cab from wood to steel.

Application of steam heat and air signal to freight and switch engine.

Changing of wheels, cast iron to steel.

New boiler.

New tender.

26. Steam Locomotives—Renewals. When a locomotive goes out of service, its entire value (less scrap) is wiped out,—it ceases to be. If the road has carried a regular depreciation charge, it has anticipated this final disappearance of the locomotive's value by piling up in the Replacement account the values which were slowly disappearing in the locomotive. On the actual demolition of the locomotive we carry over to Replacement account the values still remaining in the locomotive.

The actual retirement of equipment must be more or less arbitrary. It is a matter of judgment just when the locomotive has made its last economical mile and can yield no more. No depreciation formula can so exactly discount actual conditions as to absorb the values in the locomotive just as they expire. It even sometimes happens that locomotives withdrawn from service, as useless, but not at once disposed of, under stress of special conditions, are temporarily restored to restricted service. But whether there is a real demolition of the locomotive, and thus a complete elimination of its value, or whether the locomotive is transferred to a class of cripples, there has been dropped at such a time, a large value. This constitutes part of

the locomotive maintenance expense, and the amount of such "dropped value" less any reserves previously accumulated in Replacement account, is charged to "Steam Locomotives—Renewals."

Inasmuch as the intent is simply to wipe off the books any remaining value against that locomotive, it is plain we deal with the value as there recorded, whether it may happen to be original price or "record value."

Comment: There is looseness of terms in describing the value to which a locomotive shall be adjusted at the time of demolition. The actual expressions in the text are, "original cost (estimated if not known), original value, record value, purchase price." If all these four designations refer to the same thing three of them are superfluous; if record value is one thing, and the other three are designations of another thing, the terminology is unfortunate, for cost and value may be different things. The difference between "original cost" and "purchase price" is not obvious.

27. Steam Locomotives—Depreciation. Depreciation is a charge by formula made at regular periods to cover the decline in value due to the proportion of the estimated life which is consumed during these periods. Because there is no generally accepted formula, the Commission has left the amount of this charge to the discretion of each road. The idea is that in time there will be evolved from experience such a formula which can be generally accepted. However, conditions are so greatly different as to the type of the locomotive and the elements of use to which it is exposed, that it is hardly practicable to have a single formula for one road. The best practice would seem to be to establish different formulæ for different types of locomotives.

28. Electric Locomotives—Repairs. Electric locomotives are moving units for the application of power from a central plant. They are, essentially, the machinery, the running gear,

the housing, and fixtures. Like the steam locomotive, their maintenance is provided for under three items of Repairs, Renewals, and Depreciation. Their maintenance is of a different kind, but the same principles apply in grouping the expenses of this maintenance as apply in the case of the steam locomotive, to which the reader is referred.

Passenger Train Cars—Maintenance. Passenger train cars are the cars of what is known as the passenger train type, which run in passenger trains, or under passenger train conditions of operation. Such cars earn passenger, excess baggage, milk, express or mail revenue. Sometimes special features are added to passenger train cars or specially designed entire cars are used, performing an extra service and collecting an extra charge therefor. Such are the cars of the parlor, chair and sleeping or tourist car services, the café buffet and dining car services.

These services constitute an Outside Operation when the expense of the extra service for which a charge is made, is separable from the general body of expenses for operating trains. The extra service involves the use of an extra car or the special adaptation, at an expense, of a regular car. While such additional service is designed to attract business by rendering travel more comfortable, it is the general intention that the additional service shall be approximately self-sustaining.

The "car" maintained, embraces with the bare car, in its entirety, its furniture and fixtures, such as brake gear, upholstery, carpet, rugs, chairs, tables, ice boxes, ranges, lamps, (except signal or train), cases, speed recorders, mail catchers, electric wiring, gas tanks and gauges, piping, air brake, and other permanent appliances; but not such articles as lamp chimneys, bell cord (renewal), drinking cups and supplies.

The maintenance of this car consists of:

1. Ordinary running repairs described as "repairs or renewals of parts of passenger train cars, commonly known as fixtures or attachments."

2. General or shop repairs:

- (a) "Renewals of important or vital parts made necessary by reason of age or wear and tear."
- (b) "Repairs to or renewals of the more important or vital parts of passenger train cars the necessity for which is caused by breakage or failure while in service."
- (c) "Repairs to passenger train cars damaged through accident or otherwise." (Account 31, Note B).

3. Renewal of the car itself.

4. Depreciation of the car itself.

The extra service is directly responsible for some or all of these items in different kinds of Outside Operations. As the expenses are located in this way they are withdrawn from the general body of expenses and set up in an Outside Operation account, opposite the extra revenue they availed to produce. The I. C. C. classification has laid down the formulæ by which this separation should be made:

The general body of *shop repairs* expense of *all* Outside Operations cars is eliminated from the Rail Operations account, "Passenger Train Cars, Repairs" (see text Classification of Operating Expenses, page 46, lines 6 to 9) and carried over to the appropriate Outside Operations account, (see text Outside Operations, page 71, Note, and page 86 Note B). The residue of the Repairs expense, viz., Running Repairs, is not specifically withdrawn from the Rail Operations nor taken to Outside Operations, and the assumption is it is left in the original Rail Operations account, "Passenger Train Cars, Repairs." This assumption is borne out by the ruling for sleeping cars (which are an Outside Operation), "All general or shop repairs should be treated through Outside Operations: ordinary running repairs being charged to 'Passenger Train Cars—Repairs.'" (Case 138).

Rail Operations are charged with the running repairs of an Outside Operations car, presumably on the assumption that the Outside Operations car is merely a substitute for a regular car, which would have had the same running repair expense. Therefore this running repair expense is *not* an extra expense to be charged to the extra revenue of the Outside Operation.

In the apportionment of the renewals and depreciation expense the Outside Operations cars are divided into two classes (see text Passenger Train Cars—Renewals and Depreciation):

1. Dining, café and buffet cars.
2. All other Outside Operations cars, such as parlor, tourist and sleeping cars.

The latter group carry their renewal and depreciation directly to Outside Operations (see text Classification of Operating Expenses, pages 46 and 47).*

But as to the former class, the expense classification (pages 46 and 47), specifically excepts them from the cars whose renewal goes to Outside Operations, while the text of the Outside Operations specifically includes their repairs and renewals. (Page 86, Note A.)† We cannot reconcile this conflict.

31. Passenger Train Cars—Repairs.” This account covers the repairs only (not the renewal) of the car. But in the matter of the equipment and fixtures of the car it includes both renewals as well as repairs because the renewal of the small detachable parts called equipment and fixtures, occurs frequently, while the car itself is renewed only at long intervals. All incidental and preparatory work, such as scrubbing the car preparatory to painting, also inspection and testing of the car or its equipment are a part of the repair expense. In the same way supervision (but not superintendence) is charged with the direct repairs expense; likewise the expense of cutting

* Pages 275-277 this book.

† “Dining and special cars” are “buffet, café, dining and special cars.”

up a car when scrapped is designated as a part of the general expense of the maintenance of the car. The scrap released is credited to the account at the price which it is worth as scrap, and bears no part of the demolition expense. Insurance collected is the indemnification of that part of the repair expense in restoring equipment damaged in accidents which the insurance covers, and hence is a credit to this account. Cost of small hand tools used exclusively in work chargeable to this account goes with such work to the same expense. With the direct labor, and on the basis of its distribution is charged a proportion of the shop expense which includes heating, lighting, water, watching, and other expenses incidental to the operation of the shop. These expenses are cleared through a shop expense account each month as incurred.

Royalties on appliances used on the cars are considered a repair expense of those appliances, and not a rent charge.

Repairs of passenger train cars account is to take care of all of this class of expense which is regularly incident to the running of passenger trains; therefore it includes the payments to foreign lines for their cars destroyed on the line when in the service of the company responsible.

The passenger train car is that unit of equipment which produces the regular passenger train revenues. Should the car have special features for auxiliary service to produce added revenue for such special service, those special features are a part of Outside Operations and their heavy repairs are charged accordingly; their running repairs, however, remain in this account. (See foregoing discussion: "Passenger Train Cars—General Maintenance.")

The intent of the repairs account is to include every kind of expense applied to the car (short of complete renewal) except the cleaning, heating and lighting, and like current transportation expense. Damage by accident is an incident of the use of the car in regular service. The repairs of the car in such service

being provided for in this account, the repairs due to accident would be included as well.

Work done on a railroad must be classified according to the schedule on which the railroad operates. Thus the repairs of a passenger car which was damaged when travelling on a revenue way bill is not car maintenance but a transportation expense, itemized under "Loss and Damage—Freight." It is in the same category with any other freight that is lost or damaged in the performance of a service for which revenue was to have been collected. The destruction of a passenger car belonging to another company and not travelling on a way bill, is charged to "Damage to Property," like damage to any other property.

Comment: The exact definition of the repair work which is Additions and Betterments of passenger train equipment is, for the time, very much in the hands of the individual road. One large system has defined for its guidance that water pressure systems should be classed as "Additions" and the excess cost over replacement in kind of the following items should be "Betterments":

Wood body bolsters and platform replaced by cast steel body bolsters and platform combined.

Wood body bolsters replaced by steel.

Wooden truck bolsters replaced by metal.

Wooden draft rigging platforms, needle beams, tie beams, replaced by steel.

Wooden underframe replaced by metal.

Wide vestibule with steel platforms.

Cast iron wheels replaced by steel.

Oil lighting replaced by gas.

Gas lighting replaced by electricity.

Common gas burners replaced by mantles.

Stove or Baker Heater replaced by steam.

Dry hoppers replaced by flush hoppers.

32. Passenger Train Cars—Renewals. When a passenger train car is destroyed or taken out of a class in which it is carried, to be placed, later in another class, the road either replaces the car by an entirely new car,—which is called car renewal, or merely sets up a replacement fund to the amount of the value of the car destroyed, which fund is available to pay for the new car which is bought later to replace the one destroyed. Neither extraordinary repairs nor renewals of parts of the car is considered car renewals. The renewal charge is made at the time the car is withdrawn from service, and therefore is incidental to an actual transaction. Any accumulations in the replacement fund for account of the car destroyed are in reality amounts set up in anticipation of this event, so that when the car is finally destroyed the only expense actually carried to Car Renewals is the value remaining in the car which has not been previously set up in the Replacement account. All salvage, of course, derived from a car destroyed is a proper credit to this account. The value at which the car is charged to this account is the original cost, record value or purchase price (less, of course, any depreciation in the Replacement account.

Renewal* of passenger train cars engaged in Outside Operations (except dining, café and buffet cars, which are auxiliary service for *all* passengers, and not extra fare passengers only), are renewed under the proper account of “Outside Operations.” (See foregoing discussion, “Passenger Train Cars—General Maintenance,” page 97.)

Comment: “Outside Operations” classification, p. 86,† specifically defines renewals and depreciation of dining and special cars to be “Outside Operations—Maintenance,” in direct conflict with the classification of Operating Expenses, p. 47.‡

33. Passenger Train Cars—Depreciation. This account

* See Comment.

† “Dining and special cars” are “buffet, café, dining and special cars.”

‡ Page 277 this book.

is in every way like the foregoing, namely, "Renewals," except that the charges are made monthly in anticipation of the ultimate necessity of the renewal of the car. They therefore are based on a formula derived from the original value of the car divided by number of years of probable life. This formula may be made and applied either for the individual unit of equipment or on a series of individual units of like equipment which together are taken as a unit.

Comment: The text of the classification of Outside Operations, p. 86, is in direct conflict with the text of the Classification of Expenses, p. 47, in disposing of depreciation of café, buffet and dining car renewals. (See foregoing discussion, "Passenger Train Cars—General Maintenance.")

34. Freight Train Cars—Repairs. A freight train car is a car used in revenue freight train service. It may belong to any one of the many classes of freight cars designed for special service. With the commercial car goes the auxiliary car called the caboose, and for switching purposes the poling car.

This account is designed to take care of that element of the production of revenue which is the maintenance of the car in which the freight is carried. Therefore it is immaterial whether the car repaired belongs to the road repairing it or to some other road, providing only, if it be a foreign car, that the repairs be for user's defects, since owner's defects are an expense already covered in the per diem charge. With the car are included all furniture and fixtures, such as brake gear, coal hods, deck lamps, ice boxes, links and pins, grain doors, racks and ventilating systems for refrigerator cars and double decking for stock cars. But mere damage is a transportation expense—"Train Supplies") and not maintenance.

The expense of demolishing a car is an incident to the maintenance of freight cars in general, and therefore chargeable to their repairs account. Inspecting and testing a car and its appliances, to insure their serviceability is not considered a

transportation but a maintenance expense. With the direct labor and the material applied (less salvage) are included cost of supervision, travelling expenses of employees, small tools used exclusively in this work, and a proportion of shop expenses through the clearing account of this name. Through this shop clearing account, incidental expenses of heating, lighting, water, watchman, etc., are apportioned to the accounts benefited in proportion to the amount of labor distributed to these accounts. Royalty payments are considered a part of the repair expense of the appliances on which the royalties are paid; likewise the testing of appliances in place, as, for instance, in case of air brakes.

The repairs, as in the case of "Passenger Train Cars—Repairs," are defined to be, repairs and renewals of all parts and appliances of the car and in theory all repairs of the car short of its actual replacement by a new car. But in practice it is ruled that when a car is practically rebuilt it must be taken out of Equipment, and the new car substituted must be taken up through Additions and Betterments at its appraised value.

In the same way as defined for passenger train cars, payments for repairs of foreign freight cars, travelling on revenue way bills are charged to "Loss and Damage—Freight," and if such foreign cars are damaged while moving under trackage rights, the expense incurred to indemnify for loss is charged to the same account as if it were any other property—namely, "Damage to Property."

Comment: Additions and Betterments of Equipment is, for the time, left largely to the individual road to define. One trunk line has the following practice: The excess cost of the new thing over the thing replaced is charged to Betterments in the following cases:

Wooden truck bolsters replaced by metal.

Wooden body bolsters replaced by metal.

Wooden under frame reinforced by steel center girders.

Metal center girders in place of wood on caboose cars.

Cast-iron wheels replaced by steel.

35. Freight Train Cars—Renewals. When a freight train car is destroyed or otherwise disappears from the class in which it has been carried, it is immediately replaced with a new car, or its value is set up in a Replacement account to which the cost of the new car will be charged when subsequently purchased. Previous charges for depreciation which may have been made, as well as salvage realized, are deducted from the charge to renewal at the time of the actual withdrawal of the car.

In general, the Replacement account is the depository of the values taken out of equipment by deterioration through depreciation charges, and at the actual demolition of the car, the remainder of the value still inhering in the car, is charged to this account and set up in the Replacement account so that the Replacement account shall reach a total equal to the value originally recorded against the car at the time of its purchase. The Replacement account is a mere accommodation account, as it were, through which are cleared the changing values in the equipment without disturbing the original entry in the Equipment account itself.

36. Freight Train Cars—Depreciation. The charges to this account are the same as those to the renewal account except that they are charged as accruals upon the basis of a formula representing the estimated deterioration per year, while Renewals is the charge for the balance of the value which may remain in the car at the time of its demolition.

37. Electric Equipment of Cars—Repairs. The introduction of electricity has brought into use a combination equipment unit which is both locomotive and car. This account is designed to provide for the electric machinery and appliances of such combination unit which is used for propulsion. All the appliances, from the third rail shoe or trolley pole that makes the contact to the motor, and all the incidental wiring between, and

the machinery which delivers the power to the wheels, constitute the electric equipment which takes the place of the locomotive. Although the account is not explicit, presumably the car, with its frame and running gear, is considered a car and its maintenance charged accordingly without regard to the electric appliances which it may carry. Repairs are considered to be the repairs and renewals of all the parts less than the complete unit of electric equipment. The repairs are the expense of maintenance caused by wear or accident in the service.

38. Electric Equipment of Cars—Renewals. This account provides for the renewals expense of the electric equipment of cars in the same way as the renewal of passenger train cars and the renewal of freight train cars provides respectively for those classes of cars which do not move under their own power.

39. Electric Equipment of Cars—Depreciation. This account provides for the depreciation charges of the electric equipment of cars in the same way as the similar account provides for passenger and freight train cars which do not move under their own power.

40. Floating Equipment—Repairs. It sometimes happens that an intermediate link of a railroad route is supplied by a water service. The revenue collected by a railroad is upon the basis of the haul from one point on the rails to another point on the rails beyond the water haul. The service performed by floating equipment differs in no wise therefore from any other service whose termini are on the rails of the carrier, except that the conditions affecting expense are different over that part of the line where the service is by water carriage. Because of these different conditions affecting expense a separate expense account is provided. The service here included is distinct from ferry service or transfer service for which a special arbitrary is exacted outside of the regular mileage revenue. It is also different from lighterage service or from ferry service, extending the transportation beyond the rail terminal of the carrier. All

of these three auxiliary services are distinctly outside of the regular rail service and are therefore classed as Outside Operations.

The floating equipment is divided into power boats, which may or may not have a carrying capacity also, and the barges, car floats and canal boats which have carrying capacity with no power, and must be moved by tugs. This division is a natural one, both for operating and maintenance purposes. The power boat has machinery and must be in constant motion, whereas the craft having carrying capacity only is simpler in design and maintenance, and spends the better part of its time in loading and discharging. The distinction is the same as between locomotives and cars. "Steamboats and Tugboats" include all power boats, whether propelled by steam or gasolene.

The boat includes all its machinery, fixtures, furniture and general equipment. Office facilities on the boat, life preservers, fire extinguishers, lines, carpets, sails, navigation instruments, tools and bedding are classed as general equipment. Royalties on machinery are considered a part of the maintenance expense of such machinery.

The repairs expense embraces the cost of labor, supervision (not superintendence) and material, less salvage, applied to the renewal of and repairs of parts of the boat and its equipment and the repairs only of the boat itself.

"Barges, Car Floats and Canal Boats." This designation includes the carrying craft in commercial service. Floating work equipment (not in Outside Operations) which may be for maintaining roadsteads and berthing slips or incidental to the repairs of docks and wharves is a part of the Work Equipment of the road, and its repairs, renewals and depreciation are charged under "Work Equipment." Floating equipment in commercial service would be barges, lighters, car floats, canal boats, transfer boats, grain boats. Pile drivers, dredges and

scows are a part of the work equipment, and therefore excluded from this account.

Car floats are distinguished from car ferries because the latter have their own power. All of these vessels are of every variety of type. Recent construction—especially of car floats—has been in steel with the resulting larger initial cost, but greatly extended life. The maintenance cost of a wooden car float increases progressively with age. As the freeboard above the water line becomes punk and gradually depresses the water line to which the boat may be safely loaded, it encroaches upon the loading capacity of the craft until finally the carrying capacity is so reduced that operating and maintenance expenses per ton become unduly high. The repairs of these boats must not only maintain them against wear or ordinary usage, but also against accident, except in such accidents where the responsibility can be placed against the party causing the accident and damages collected, or where it is covered by marine insurance.

41. Floating Equipment—Renewals. The equipment whose renewals are here provided for is described under “Floating Equipment—Repairs.” When a boat has been withdrawn from service or has been destroyed, the remainder of the value, less any salvage or insurance collected, and after depreciation accruals have been deducted, is charged to this account. The value whose remainder is thus disposed of, is specifically stated to be “original cost (estimated if not known), record value, or purchase price.”

42. Floating Equipment—Depreciation. This account is in every way like the foregoing except that the charges are made monthly on an arbitrary basis, in anticipation of the ultimate necessity of the actual renewal of the equipment. They therefore are based on a formula derived from the original value of the equipment divided by the period in months of probable life. This formula may be made and applied either for the individual

unit of equipment or on a series of individual units of like equipment which together are taken as a unit.

Work Equipment—General. In a general way work equipment is the movable outfit used by M. of W. and S. in maintaining the roadway and structures of the railroad proper, and the docks, roadsteads and berthing slips for the floating service (when not a part of Outside Operations). Incidental to all work is an element of expense which we will call the expense of the “jig,”—the outfit of tools, machinery and plant by which the work itself is done. In the maintenance of roadway and structures, this jig is divided into four parts. The first is the small tools and supplies special to only one kind of work, and which are therefore directly chargeable to the work done. The next, is those tools and supplies which serve several kinds of work in the department, and are therefore set up in an account of this name which serves the department generally. The third is a class of equipment larger and more permanent than hand tools. These big tools are bulked under the descriptive term “Work Equipment.” The fourth is the fixed plant of machinery in the shops of the Bridges and Buildings department of M. of W. and S. The maintenance of this machinery is charged to the M. of E. account, “Shop Machinery and Tools.”

The “Work Equipment” may best be thought of as the *big tool* account. With the exception of the ballast pit steam shovel, the stationary engine, the rock crusher and like machinery used at ballast pit (whose maintenance is charged directly to the cost of producing ballast) all the big tools of this department, both on land and water, are drawn into the one class. The reason for this is their greater significance as individual units, and their greater permanence. The small tools are too numerous, too miscellaneous and individually insignificant to divide their expense into repairs, renewals and depreciation.

The floating work equipment here maintained by the M. of E. Department, includes all floating equipment used in repair work

of the M. of W. and S. Department, except row boats for bridge, trestle, and culvert repairs which are charged as incidents of those repairs, and row boats for drawbridge tenders which are charged to operation of drawbridges. Illustrations of floating work equipment are, floating pile drivers, dredges and scows.

In making the division of the outfit used on land, between "Roadway Tools" and "Work Equipment," the primary distinction of little and big tools is arbitrarily drawn by classing only the tools that are moved on the rails by a locomotive as "Work Equipment." By this definition steam shovels (not in ballast pit), ditching and derrick cars, pile drivers on cars, scale test car, are "Work Equipment," while velocipedes, hand cars, rock crushers (not chargeable to ballast), steam rollers, wheelbarrows, push cars and pile drivers not on cars, are not "Work Equipment," but "Roadway Tools."

The equipment called "Work Equipment" includes that directly performing M. of W. and S. work, whether actual repair work, or for keeping the road open in times of wreck, or snow, or freshet. Illustrations are, the steam shovel, snow dozer, pile driver, wrecking car, gravel car, sprinkler, weed burner, ballast unloader; also those performing secondary service,—as the supply car, boarding car, painters' car. But the locomotive is not included because it is generally used interchangeably between roadway and other service. On the same principle, commercial cars temporarily assigned to roadway service are not counted "Work Equipment," and their maintenance is not charged to this account, unless the major part of their time is in this service.

With each unit of work equipment are included all the furniture, fixtures and appliances, except wrecking tools, and frogs carried on wrecking cars (whose expense is charged to "Clearing Wrecks"). Illustrations of the furniture, fixtures and appliances are, bunks, coal boxes, cushions, curtains, lamp fixtures, links and pins, chains, chairs, stoves, etc.

Work equipment is found on every railroad. While it is merely a facility to the Department of M. of W. and S., an incident to the real work performed by that department, yet because it is indispensable, because it is a considerable item, and because the usefulness of any particular outfit extends over a long period, it comes to be a sub-type of the regular railroad, and its cost and maintenance become regular features of the railroad's operations. On this reasoning, that it is considered an ever-present and indispensable part of the plant as a whole, although devoted to the use of one department, and its maintenance is taken up with the maintenance of like equipment devoted to commercial use, the expense of both are together charged to the department responsible for this type of work,—namely the M. of E. Department.

Comment: We do not think the classification of this expense under M. of E. a valid one. To each department should be allocated its full cost of operations, including not only its labor and material disbursements but the maintenance of the plant used as well.

43. Work Equipment—Repairs. Repairs are distinguished from renewals by the fact that they are the upkeep against current wear, while renewals are the replacement of the entire equipment unit by a new unit, and represent the upkeep against the processes of age rather than direct wear.

Repairs include all expense short of the complete replacement of the entire car by a new car. Therefore "Repairs" may include renewal of parts of the car, even of very large parts of the car, but so long as the renewals are of parts only, and not of the entire car, they come in the class of repairs. The cutting up of condemned work equipment, the refitting of commercial equipment temporarily or permanently taken over to "Work Equipment," and the restoration of equipment returned to commercial service, are incidents of their use as "Work Equipment" and chargeable accordingly.

“Repairs” embraces the labor and material (less salvage), inspection and supervision (not superintendence) and small hand tools used exclusively in the work described above. “Repairs” also includes royalty payments for use of devices on the equipment, and the payment for foreign cars destroyed while in this service. But rent of work equipment hired, is charged directly to the account benefitted.

With the expense of labor directly charged, is added as a “burden,” a share of the shop expense apportioned on the basis of the distribution of the direct labor expense of the shop.

44. Work Equipment—Renewals. When work equipment owned is destroyed or otherwise withdrawn, the remainder of value in such equipment, less salvage (with insurance collected when destroyed) and any accumulation in the replacement fund by previous depreciation charges, is charged to this account. In computing this remainder of value, the original cost record value or purchase price is taken as the basis from which the deduction is made.

45. Work Equipment—Depreciation. This account is in every way the same as the foregoing except that the basis of the charge is not an actual transaction—as the destruction, or retirement, for any reason, of the car—but an arbitrary monthly charge for deterioration intended to take up the progressive reduction in the prospective life of the car, as this reduction occurs, month by month.

Shop Machinery and Tools—General. In the maintenance of equipment, in addition to the small hand tools (which are charged out to work where used) there must be a plant of shop machinery and large tools which constitute a fixed entity. Their upkeep is as definite a feature of M. of E. as the repairs of the equipment itself. Furthermore their utility is not confined to any one period, but they are a permanent plant having a usefulness extending over many years. Therefore their expense is not carried out as a “burden” to the work done, but is set up as

the expense of maintaining a facility which is available for the repair work of every kind of equipment as needed. The foundation for machinery, the framework for shafting, and the housing for the machinery are considered part of buildings, and their repair expense is charged to M. of W. and S.—“Buildings, Fixtures and Grounds.” In the same way boilers of heating plants are classed with the buildings where they may be installed and are not considered a part of “Shop Machinery and Tools.”

The plants whose shop machinery and tools are contemplated in this account are located in engine houses, locomotive and car shops, and foundries, or the shops of the Buildings and Bridges department.

The tools of this account must be distinguished from the small hand tools charged out directly to the work done; and the machinery must be distinguished from that machinery which is a part of the fixed installation of the building for general purposes of heating, lighting, fire-protection, water supply,—all of which is chargeable to “Buildings, Fixtures and Grounds.” The machinery must also be distinguished from that belonging to the power plant equipment for which a special account is provided. But “Shop Machinery and Tools” includes electric power plants when employed exclusively in the operation of machinery in the shops. These machinery and tools are of every variety,—from the portable forge and jack, scaffolding, shafting, belting, scales and sewing machines used in shops, to the cranes, power and hand hoists, stationary engines and boilers for furnishing power. The theory followed in the distinctions made is that the building must furnish all general facilities, such as the plant for producing light, heat, and for delivering water. It must also provide the foundations for the machinery to be installed,—the transfer tables and turntables and intercommunicating system of tracks in the building, but the stack for the escape of gases is a part of the specialized plant installed in the building.

46. Shop Machinery and Tools—Repairs and Renewals.

The maintenance of the class of machinery and tools as defined above is divided between renewals and repairs upon the basis of the usual distinction that repairs embrace all repair work done upon a particular unit and all renewals and repairs on parts of the unit, while renewals refer to the replacement of the unit by a new one. Such a distinction, as we have said before, is more or less arbitrary; it is an effort to separate the repair expense that is current from that which may produce a utility extending over several earning periods. In the case of rolling stock, each equipment unit is so nearly like every other of its class that the distinction is a fairly uniform one. But in the case of such variety of type as is embraced under "Shop Machinery and Tools," the distinction becomes highly arbitrary. In preserving the distinction between Additions and Betterments and current maintenance, the cost of additional or improved hand and other small portable tools of shops already in operation is considered maintenance expense, but the excess cost of improved machinery or large tools which have to be installed, is a proper charge to Additions and Betterments. The cost of repairing foundations of machinery is charged to the building, but the cost of installing new machinery, if it is a maintenance expense, is charged to "Shop Machinery and Tools," or if it is incidental to betterments it would be charged to Additions and Betterments.

Comment: M. of W. and S. shops should not be included. M. of E. shops should include building and entire plant.

Power Plant Equipment—General. With the electrification of railroads comes a re-arrangement in their power plant. In place of the thousand or more complete and independent power units, we have one or more generating power stations, with an expensive plant for the distribution of power, and the locomotive is itself directly replaced by the electric motor which is a machine for transforming into work the power thus distributed. In this re-arrangement there is developed a plant

with the distinctive function of generating and distributing power, which in part, as we see, overlaps the function of the steam locomotive. This plant is itself divided into two parts, namely that which *generates* the power, and which is called specifically the power plant, and that which *distributes* the power, and is called the "Electric Power Transmission." The generation of the power analogizes with the generation of power by the locomotive, and classifies as a function of M. of E.; while the plant that distributes the power is put in charge of M. of W. and S. because it extends over the line.

"Power Plant Equipment" is sub-divided into that part which generates the power from coal or gas or water falls, and that part which converts such power into electrical energy, and delivers the energy to the distributing system in the proper form for transmission. The plant includes under the sub-divisions "Steam and Water Plant," all the engines, boilers and furnaces, and all connecting parts and appliances for mechanical transmission, for feeding boilers and furnaces, and for removing waste, together with water and sewer connections. (In the case of "Shop Machinery and Tools," the water and sewer connections are charged to "Bridges, Buildings and Grounds.")

Under the sub-division "Electric Plant" is included the entire electrical outfit, inside the building, of generators, dynamos, storage.

47. Power Plant Equipment. M. of E. power plant equipment includes all machinery devoted to the generation of propulsion current for use on the line. Such equipment must not be confused with the power plant that generates power for the shop, which is chargeable to "Shop Machinery and Tools," or with the plant that develops power (and possibly heat) for any general purposes. The maintenance of the latter is chargeable to M. of W. and S.—"Buildings, Fixtures and Grounds."

48. Injuries to Persons. In accord with the latter day theory that the expense of accidents should be assembled with

other costs in the total expense of the product, the revised railroad expense classification of the I. C. C. has divided the original account "Injuries to Persons" to the several departmental accounts. This account under M. of E. is intended to provide for all expenses incident to injuries of persons when caused directly in connection with M. of E. The determining factor is not the department to which the injured person belongs, but the department to which the person belongs who caused the injury. When it is the joint responsibility of two or more departments, it would seem to be the theory that the costs should be apportioned equally between the several departments involved.

This account includes all expenses resulting from the injuries above described, the intention being to provide by this heading for the actual compensation paid for injuries, for the incidental care,—as medical and hospital attendance, carriage service, transportation and undertaking service, for the work of adjusting claims, which is not strictly legal work. Court judgments, together with the plaintiff's court costs, when paid by the defendant, are charges to this account, but expense for the conduct of suits, such as official fees of every character, and special legal service, are charged to "Law Expenses," where the responsibility for this class of work rests.

Most of these expenses will be specific to each case, but in so far as the regularity of the demand for this type of service is anticipated by employing regular surgeons on salary, or making contributions to the maintenance of hospitals, or employing claim adjusters, there will be certain items of fixed expense. These are to provide for contingencies that occur in the M. of W. and S., the M. of E., and Transportation Departments. Of the total of such hospital expense 25 per cent is arbitrarily apportioned to M. of E. The pay and expenses of claim adjusters and staff surgeons are charged out as far as possible to the accounts served, or where this cannot be done they are divided equally among the several claims accounts to which their services apply.

It is sometimes found desirable to take out an insurance policy against this sort of risk, or, again, the carrier sometimes becomes his own insurer. In these cases the charge for the premium payments is against "Insurance—General Expenses," and no charge is made to the "Injuries to Persons" accounts.

Comment: The next foregoing plan, covered by ruling in case 526, has the effect of transferring the cost from the accounts provided for this class of contingent expenses to General Expenses for no better reason than that the cost is paid in averaged instalments instead of direct losses as they occur.

49. "Stationery and Printing." The administration of any department requires the use of a special kind of supplies designated "Stationery and Printing." Under "Superintendence," provision is made for the labor and office expense of every character except stationery and printing. By this designation is embraced primarily actual stationery and printing, and secondarily, desk supplies, such as pens, pencils, ink, rubber bands, pins, rulers, blank books and scrap books. With the development of office facilities have come typewriters, calculating machines, letter presses, duplicating machines, numbering stamps, tabulating machines and time clocks which are liberal extensions of the first general notion of "Stationery and Printing."

"Stationery and Printing" would seem to be limited to classes of things used by the general staff,—thus, for instance, technical books and periodicals, together with expert engineering draftsman's instruments are charged to "Superintendence" instead of to this account.

50. Other Expenses. This account is intended to provide for all M. of E. expenses which cannot be located under the foregoing classifications. It includes items of an irregular nature which generally grow out of some phase of administration; thus gratuities that are not a part of regular office expense, special detective service, consultation fees that cannot be closely related

to current work would be illustrations of what might be chargeable to this account. It has been ruled that the amount of a judgment on account of defective appliances on cars together with the court costs is a proper charge to this account (Case 337).

Clearing Account—Shop Expenses.—The M. of E. Department has a fixed organization of official head, assistants and their staffs; a regular provision for their stationery and office supplies; and a plant of tools and machinery, which expenses are considered fixed incidents to the work done, and therefore are set up in regular expense accounts. In addition there is a large body of miscellaneous expense each month of a general character; it does not involve a highly organized staff nor a fixed plant,—in other words it contains no elements the results of which are carried over beyond the current earning period; practically its entire usefulness is exhausted like any ordinary wage or supplies expense in the month when the expense occurred.

For this reason it is desirable to charge it out as a direct burden to the work done. Expenses of the character described are, for illustration, heating and lighting and metered water expense of the shop, wages of watchmen, gate keepers and policemen about the shop. In addition to this is a staff of shop foremen and assistant foremen, of time keepers and shop accountants, whose wages, together with their expenses for stores and supplies constitute a secondary order of administrative expense, designated as supervision in distinction from "Superintendence." Probably this is upon the theory that they are not so highly trained a staff, and that the employment of most of them can be more immediately related to the fluctuating volume of work, than is the case with "Superintendence."

A regular feature of the shop is its generation of power, and for purposes of observation all such costs as wages of stationary engineers and firemen, coal handlers, electricians, together

with their supplies of fuel, oil, waste, carbon brushes, other small tools, and cost of water and power purchased, constitute the current cost of power at the shop. With such regular expenses would go incidental expenses, as pay of employees attending fires or fire drills, cleaning yards and sanitary arrangements, performance of miscellaneous errands, work about the premises requiring horses, wagons and helpers, expense of switching locomotives when exclusively assigned to switching service at shops. (When the switching is performed by the regular transportation service a charge would be made directly by the Transportation Department to the specific M. of E. account served. This would not be in the nature of a facility offered for the shop as a whole, and therefore would not be a general shop expense.)

The above expenses are each month carried into a clearing account—"Shop Expense," and through this account charged out on the basis of the direct labor of the shop. This basis of apportionment may be made up arbitrarily for a year as evolved by the experience of the previous year.

The cost of material used in every case embraces the invoice cost plus any foreign roads' freight charges and inspection expense. To this is added as a "burden" on the basis of the value of the material disbursed, an apportionment of the entire expense of the purchasing and stores department. However when a single class of material is purchased in such quantity as to require a special staff in its purchase, inspection and distribution, such expense is charged direct to such single class of material, and not carried through a general clearing account. A case in point would be crossties. This exception from the general rule would be with a view simply to applying the burden more equitably.

Maintenance of Joint Equipment at Terminals—General. This account* provides for the M. of E. proportion of such expense in the settlement for joint service.

* For fuller discussion of joint facilities accounts see page 36.

The account is only to be used, however, when an actual plant is involved in the joint service. Where the joint undertaking involves only a joint organization, the old practice of the creditor road crediting its detail expense accounts, and the debtor road taking up the debit under the same detail, will continue. (Case 193.)

51, 52. Maintaining Joint Equipment at Terminals—Dr. and Cr. At junction points railroads frequently perform joint services upon a co-operative plan. The road that has the facilities will perform the service and divide the expense upon some agreed basis. The expense involves many items in the classification; it formerly was the practice for the billing road after first having charged the gross expense to each of these detail accounts to turn about and take from each, the proportion chargeable to the other road. The other road would take up these items in the same detail in its expenses. But the first road had the facilities in which the second road was lacking. By the amount of the bill that was passed, each statistical item was thrown out of relation to the general statistics of operation of both carriers. To avoid this, the revised classification does not undertake to transfer from the account of the creditor road to the accounts of the debtor road, the itemized expense detail of the bill. Instead, for statistical purposes, the figures remain where first placed while the amount of the bill passing is carried over in a lump figure of credit to the department of the road passing the bill and debit to the department of the road receiving the bill. In order to provide for such charges there has been set up under each of the general heads of expense where such interchange might occur, a Joint Account—Debit and Credit.

CHAPTER IV

TRAFFIC EXPENSES

III. Traffic Expenses—General. The current work of a railroad falls into two great natural divisions; getting the business, which is the function of the Traffic Department; handling the business, which is the function of the Operating Department.

The classification of expenses follows the general arrangement of the work. There is primarily the fixed force of officials and staff having the general administration of the business. Then there is the soliciting, which is performed in part by a staff called "Outside Agencies," and in part by advertising. There is an expense of maintaining joint relations, and caring for what may be said to be the traffic politics, and this is provided by Traffic Associations and Fast Freight Lines. A special bureau for development of the road's traffic on permanent lines is maintained, called the "Industrial and Immigration Bureau"; incidental expenses of stationery and printing and unlocated items, throughout the entire Traffic Department (except the Industrial and Immigration Bureau), are gathered into the two separate accounts of "Stationery and Printing," and "Other Expenses" respectively.

53. Superintendence. This account is to provide for the division of the service that determines and executes general traffic policies, negotiating traffic contracts with connections, preparing and distributing tariffs, classifications, rates and division of rates. It does not include the force that devote their entire time to soliciting traffic,—such force are classed as Outside Agencies.

The traffic with which "Superintendence" deals, primarily embraces passenger and freight train, and switching revenue of every kind. Mail revenue and express revenue being on general fixed schedules or single long time contracts may, however, be taken care of by the executive. The Traffic Department is responsible for the general traffic conditions of all transportation producing revenue. Supervision over revenue from operations other than transportation, which are mere incidents of the regular business of operation and do not affect general traffic policies, may easily classify with the functions of the operating officer; thus, station and train privileges, parcel room receipts and storage of freight and baggage, are more a matter of operation than of traffic; while car service, telegraph and telephone service, rents of buildings, and joint facilities revenue are distinctly operating responsibilities.

Superintendence is subdivided among the pay of the officers, their staff, and the office and other expenses of both officers and staff. In addition to the strictly freight and passenger traffic men, are the general baggage agent and general express agent, and assistant officers of the same titles. The salaries and expenses of those having supervision over two departments are proportioned to their several jurisdictions.

This classification is based upon the use served rather than the title of the officers included. Thus if the president has direct supervision of Traffic (as may be the case on a small road) a charge from his salary is made to this account (Case 82).

The clerks and attendants whose pay is contemplated in this account embrace the staff, up to and including the chief clerk, and also all porters and attendants, whether in the office or on the special cars of the officers whose salaried expense belongs to this account. Telegraph operators whose entire time is employed in these offices are classified with the rest of the staff and are not charged to "Telegraph and Telephone—Operation."

"Office and Other Expenses" includes all current expense,

such as telephone and telegraph, heat, light, ice, water, and other supplies (except stationery). With these are included also furniture and other office facilities, maps, periodicals, subscriptions to newspapers, etc. If the offices are rented, the expense of their rents and repairs is lodged here; in the same way are included all incidental office and travelling expenses of those whose pay is here charged. Provisions and expenses of special cars are simply another phase of travelling expenses, while premiums on fidelity bonds of those whose pay is here charged is an incident of their employment, and goes to the same account.

Comment: The maintenance of private cars and of office buildings used by the official staff whose expenses are gathered here, is, in our opinion, improperly disposed of when classified as Maintenance instead of being charged to this account.

54. Outside Agencies. The work of the Traffic Department is conceived as being twofold: it is, on the one hand, the general administering of the business on more or less fixed lines, together with the arrangement and execution of policies, all of which expense is provided for under the head of "Superintendence." On the other hand, the Traffic Department makes an effort more or less strenuous to hold its competitive business against rivals, and to extend this business. It does this by personal contact and solicitation, employing every inducement except a cut in the rates. Work of this kind is the concession to the human element in the performance of transportation service. In so far as the making it easy to do business stimulates the shipper and actually creates new business, this service has permanent value over and above the mere maintenance of a traffic equilibrium among competitors. Because such work is not a direct incident of business as it comes to the road, but is an effort on the part of the road to extend the facilities of its traffic office to the place where the business is, it is considered the function of outside agents, and the account, "Outside Agencies," is set up to care for such expense. Therefore it includes those who give

their entire time to soliciting freight; as general, commercial, city, district, or travelling agents. With the agents' salaries are included those of their staff, and all their current office and travelling expense. If their offices are rented, the account bears also the net rent and repair expense of such office. The compensation for much of this service is on the basis of commissions, but the mere fact that the man's services are paid for in commissions does not necessarily classify him as an outside agent. Wages of road agents at small stations are sometimes paid in commissions on the basis of the business done, but their expense is part of the regular transportation service.

"Outside Agencies" are those maintained directly by the road, or, it may be, by some joint arrangement with two or three neighboring roads. When this service is performed by an organization independent of the road, such as a fast freight line, the expense is not included in this account; but in the differentiation between fast freight lines and outside agencies the line of distinction is not always easy to draw.

55. Advertising. In addition to the personal solicitation by a regular staff, there is the solicitation by display and circular advertising. Every effort to attract traffic, to secure attention to the road, or to do work preliminary to some later and more definite stage of attracting business is charged to this account, provided it is not performed by the regular soliciting staff, whose expense is covered in the account "Outside Agencies," or the "Industrial and Immigration Bureaus." Thus it includes donations to carnivals (but not to fairs or stock shows or expositions in the territory served, which donations are chargeable to "Industrial and Immigration Bureaus,") and expenses of special "write ups."

With the advertising proper, which is the definite solicitation of business by impersonal methods, goes the current and necessary announcements incidental to the handling of the regular business, such as time-tables for posting at stations, and news-

paper insertions of schedules. These doubtless are included because the line of distinction between advertising and mere routine announcement in connection with traffic is not easy to draw.

Advertising expense includes not only the direct expense for printing advertising matter, folders, etc., for advertising space in newspapers, on bill-boards, and in show windows, the expense of distributing and posting such matter, but also the salary and the office, personal and rent expense of any staff, and the expense of any incidental plant or fixtures devoted to such uses,—as bulletin-boards, racks, photographs, photographic outfits, etc.

Advertising is to secure traffic; it therefore does not include legal publication of annual meetings, etc., which are a "General Expense" item, nor of lost or damaged freight and baggage, which should be charged to such loss accounts.

Furthermore, the advertising here described does not include the advertising done by the Industrial and Immigration Bureaus, because these Bureaus are doing work outside of the current traffic of the road, work that will only bear fruit in later developments.

56. Traffic Associations. In the maintenance of its traffic relations and the prosecution of its traffic policies, a road cannot stand alone. It must have its arrangements for interchange with connections, and its traffic and trade agreements with all roads which route large business into or across its territory. In addition to this, there must be agreement among the roads serving the same general business, as to classification of freight, kinds of service, rules as to packing, issuing bills of lading, and all the incidental services of transportation. Furthermore, conditions of competition make necessary a substantial agreement as to rates, although this can no longer be formal nor have any binding character. To do all these things most systematically the railroads adopt the machinery of associations with their peri-

odical meetings, their committee assignments, their channels of formal announcement. These are called Traffic Associations.

In maintaining certain semi-official relations to the public so that they may have a voice in determining trade requirements for transportation service, and representation in matters of public business policy, the railroads take memberships in Boards of Trade and Chambers of Commerce. This account of "Traffic Associations" embraces all expense incidental to this phase of the Traffic Department's work, except the salaries and expenses of officers and employees who may be in attendance at such meetings.

57. Fast Freight Lines. The Fast Freight Line has greatly changed its character in recent years. In its most extreme type it was an organization having a contract with the railroads for all tonnage which it could solicit or deliver, and having an equipment of cars for through service, and also of special design—such as refrigerator cars—which were hired to the roads with which they had contracts, and moved freely in the service of a through traffic over all the roads forming links of the Fast Freight Line. By successive stages these lines have become, first, co-operative lines in which the stockholders were the railroads; and next, the car equipment has been replaced by cars assigned from each of the railroads at interest, which plan in turn has yielded to an unrestricted movement of all cars of any road, on a per diem basis; next, the payment to the Fast Freight Line of commission on the tonnage delivered, which commission necessarily included profit above expenses, has given way to the co-operative plan in which in lieu of a commission containing a profit, only the actual expense of the organization has been charged, and this has been borne among the roads at interest in the direct proportion in which they shared the traffic controlled. In this last stage the distinction between a Fast Freight Line and "Outside Agencies" is only the fact that the outside agency is a part of the regular staff of the road, while a Fast Freight

Line is the staff of a co-operative group of roads acting jointly. The account "Fast Freight Lines" includes all the expenses of a fast freight line, regardless to which status of those above described it may belong. With the expansion of railroads to embrace those previously independent, the original fast freight line organization over such roads, may for traffic reasons be continued, but it has practically taken the character of an outside agency.

58. Industrial and Immigration Bureaus. This is that branch of the Traffic Department to which is committed the detail of building up *future* business as distinguished from the maintenance and development of *current* business. Its conditions of work are broader; its results necessarily belong to the future. It is completely separated from all other work of the department, even to the taking care directly of its stationery. The account not only includes salaries and office expense for furniture, supplies, and service of every kind, but also certain kinds of advertising and general publicity by all sorts of methods which may be for the upbuilding of *future* business. Thus, while a donation to a carnival which is a stimulus to current business is charged to "Advertising," a donation to expositions that open up the territory, or to fairs and stock shows intended to improve farming conditions along the line of road; is charged to this account.

This office runs farm products exhibitions and lecture trains, conducts institutes and experimental farms, even may distribute sample seeds, and co-operates with all public and governmental agencies to promote the intelligent conduct of the industries of its territory and the development of natural resources. On some roads this department maintains travelling farm instructors. It also maintains immigration agents in the field, and conducts an information bureau as to the resources and industries of its section, even acting as a medium to bring buyer and seller together.

59. Stationery and Printing. There is a line of office supplies,

distinguished by common consent from all other supplies, by the designation "Stationery and Printing." With the growth of office facilities it has expanded from the simple stationery and printing of the office to include all facilities in connection with the handling of stationery, from pens, pencils, erasers, blotters, clips, calendars, postage, and rulers, to letter presses, dating stamps, pencil sharpeners, typewriters, calculating and tabulating machines, duplicating machines (but printing presses would presumably be considered furniture), addressographs, dictating machines and supplies.

These are all of general office use both for the officers and staff, but periodicals and technical books are withdrawn to "Superintendence," probably on the theory that they are not of general office use, but for the officials only, or their immediate staff.

This account does not include the stationery and printing of the "Industrial and Immigration Bureaus" as the work of these bureaus does not have to do directly with current traffic. In the Traffic Department there is a great bulk of a special kind of printing in connection with the distribution of tariffs and traffic circulars. Because of its special nature and enormous volume it is carried under a subhead of this account.

Comment: This account is an anachronism, partly because it is merely a form of office supplies expense, and partly because the advance of the art in office supplies has so altered the type of articles here included that they have lost much of their first character.

60. Other Expenses. Unusual items not referable to any of the standing accounts which provide for the regular course of business, are charged to this account. Fines or penalties imposed on the carrier for illegal performances or defaults for which responsibility is located against the traffic department, would be a class of charges that would fall to this account.

CHAPTER V

TRANSPORTATION

“Transportation” is that part of the railroad operation for which all the other parts and phases exist. Except as they in some way bear fruit in facilitating this service to the public and fitting it to the highest economic efficiency among the industries served by selective rate adjustments and service adaptations, they are worse than useless. Because the great body of the conditions dealt with are of fair uniformity and constancy, and because the largest efficiency, other things being equal, comes with the largest use of tool and plant, and specialization of labor, it follows that what in reality is a mere incident of the main performance has erected itself into a part of the fixed type, and assumed an importance hardly distinguishable from that of the actual transportation. But the real business of the road nevertheless continues to be transportation and not financing, nor maintenance of way, nor maintenance of equipment, nor official supervision.

Transportation, which is the receipt of passengers and goods at one point, and their haul to and delivery at some other point, falls into two main divisions; namely, the terminal service at both ends, and the haul between. The haul differentiates in speed, frequency, precautions of safety, and special services in transit, such as heating, refrigeration, feeding, lighting, carrying baggage and personal luxuries and attendance. The service at terminals, which begins with the mere function of receipt and discharge of freight and passengers and their incidental housing, elaborates into extensive warehousing, special deliveries by

switch or lighter service, sales and forwarding facilities, and in the case of passengers, by palatial reception halls, with all the accessories of public comfort and luxury, with restaurants, hotels, telegraph, telephone, parcel rooms, information bureaus, invalid chairs and cab service. Most of these elaborations beyond the irreducible minimum are of the nature of auxiliary services.

In case these extra services are covered by a separate charge and have expenses separable from the expenses of regular rail operation, they are considered an Outside Operation, and their revenue is set against their expense.

“ ‘ Transportation by rail ’ includes the receipt, transportation and delivery of traffic, such storage of freight as is necessary to the operation of the railway, all special facilities necessary for the handling of special classes of traffic, such as coal, and ore docks, coal transfers, and facilities for the receipt and delivery of live stock, and such car ferries as are actual substitutes for bridges and tunnels. It does not include local collection and delivery (except switching), nor transportation by water, except car ferries as above provided.”*

The railroad directly undertakes a score or more of these services and offers the facilities for the performance of others by providing the housing on a nominal rent basis, or definitely arranging with outside agencies both for their services and the use of their plant. Transportation of freight is the taking of freight from any one of several consignors, at any one of several points, and delivering it to the particular consignee of many consignees, at the particular point of many points. That is, besides the mere lineal haul, a very large part of its work is classifying. As the traffic becomes more dense, the possible interchanges become very much greater and the classifying expense of trans-

* Classification of Revenues and Expenses of outside operations: Introductory Letter, p. 5.

portation becomes an increasing proportion of the whole transportation expense.

The business of actual transportation subdivides naturally into:

1. Keeping the line open by towermen, signal men, dispatchers, operators and crossing watchmen.

2. Hauling the train over the line.

3. Handling the traffic at the terminals, which handling includes "classifying."

4. The handling at terminals of the tools (cars and engines), by which the hauling and classifying are done; namely, the hostling and inspection, coaling, oiling and watering of road and switch engines, and the inspection, oiling, cleaning, watering and icing of freight cars and coaches. Inspection of equipment is held to be equipment maintenance, and together with the running repairs is in charge of the M. of E. Department, but all the rest of this work devolves upon the Transportation Department and the classification of transportation expenses follows closely the above analysis, adding to it, provision for contingencies and supervision.

61. Superintendence. Transportation superintendence is that function in the department which is responsible for the performance of the rest of the department, and to this end is endowed, within limits, with power to direct, to employ and discharge, to discipline, to promote and demote. The power to direct involves planning, application of existing methods, and evolution of new methods, while discipline takes the form of instruction and the award of consequences good and bad as the work deserves, according to a well-established code. The higher the grade of superintendence, the less it has to do with discipline and the more with the negotiation of general policies and the co-ordinating of the parts of the work. The superintendence here contemplated would include without question the highest rank directly occupied with the supervision of transportation

matters. But the point at the lower end of the scale at which to make the distinction between superintendence and the class of employees next below is not so easily determined. Apparently the general notion is that "Superintendence,—Transportation," refers to an authority covering two or more points. It frequently happens that station agents through their supervision of local organizations have responsibilities and authority that greatly outweigh that of some of the officials charged to this account, but unless they have a territorial jurisdiction, as for instance, general agent of terminals, their service is not considered "Superintendence." Under the foregoing definition, therefore, would be included the vice president in charge of transportation, general superintendents, superintendents of transportation, division superintendents, trainmasters and assistant officials with above titles (possibly chief dispatchers in some organizations). Supervision of a particular phase of transportation, such as car service, transfer stations, lost cars or mail service, is considered "Superintendence."

The account passes further down the scale to include inspection; road foremen of locomotives, travelling locomotive engineers and firemen, train and station inspectors are in this category.

The pay of officers of the foregoing description is carried to a subhead of "Superintendence," while the pay of the clerks and attendants of such officers is grouped under the subhead, "Clerks and Attendants." This could be upon the theory that the pay of officers is a less flexible expense than that of their staff, and therefore has not so immediate a relation to the work done.

"Office and Other Expenses" is the third subhead of this account. It includes all current expense of these offices outside of pay-roll expense, such as telephone and telegraph service, heat, light and water, and all supplies (except stationery and printing, which are provided for elsewhere); also books and peri-

odicals for use of officers whose expenses are charged to this account. With the office expense is included the cost of furniture and of rent and repairs, in case the office is a rented office. All travelling expenses allowed officers and their staffs, including the cost of special cars and trains for their use, premiums on their fidelity bonds, or expense of their membership in associations on account of the railroad, classify as an office expense. Should it happen that any officer had charge of more than one department, his salary and expenses would be arbitrarily proportioned among the several departments over which he had jurisdiction.

62. Dispatching Trains. The movement of all trains between terminals is under the direct control of division (or district) headquarters. A staff is definitely assigned to the constant personal charge of this movement. So far as trains move on printed schedules, the dispatcher does not interfere, save in emergency. However, all movements, whether on schedule or otherwise, are reported to him telegraphically as the trains pass reporting offices, so that he shall be in position at any time to supersede schedules. But the great volume of the freight traffic moves irregularly as extras, on telegraphic order. The dispatcher's primary duty is to keep in telegraphic touch with all train movements, to keep a record of such movements and rearrange them on occasion, keeping a record also of his orders and their acknowledgment. His staff therefore includes not only the three trick dispatchers (and their copyists) who in succession keep a constant hand at the key, but also the telegraph operators on the line from whom he receives his reports of passing trains, and through whom he delivers his orders. If these line operators serve the dispatcher only incidentally in connection with their other work, his office escapes the charge for their salaries. If, however, they are exclusively for his purposes, they are charged to his account in lieu of any other disposition. With the salaries of the staff are included all incidental office

expenses, and presumably any office rent which may have to be paid.

63. Station Employees. Actual transportation falls into two distinct parts; the line of road haul, and the terminal handling of the freight and passengers. This terminal work further subdivides in case of freight, into classifying or yard work, and station work. These stations are on the line of road, and the primary duty of the staff there employed is the actual handling of passengers and freight to and from the cars, and does not include soliciting expense except as an incident. These stations are distinct from a downtown ticket office, the stations of a ferry service, or a harbor terminal transfer service performing a transportation between two or more points, one of which is not on the rails of the carrier. The expense of these latter stations is chargeable to "Outside Operations."

The station force performs all the service of every character included in the regular transportation service, except that at grain elevators and coal and ore docks. In addition, it performs various miscellaneous services for small fees, such as parcels-room attendance, and baggage storage. There is an additional service in and about a station performed by individuals, or agencies outside of the railroad, which the railroad may arrange for by offering housing facilities and collecting therefor privilege rentals. Such would be barber shops, telephone and telegraph offices, news-stands, lunch counters and dining rooms. These services are not an expense of the station.

In addition to the direct handling of traffic, the station employees perform services for the Transportation General Office and the Audit Office, as car clerks and ticket receivers and collectors.

Station employees are divided into: "Agents, Clerks and Attendants," on the one hand, and "Labor at Stations," on the other hand. The former group are all salaried employees, there-

fore the expense is less flexible than that of the latter group, which for the most part is made up of wage employees.

“Agents, Clerks and Attendants” includes the pay of freight, ticket and express agents, and their assistant agents; and of the station master, station, passenger and baggage agents, cashiers and accountants, and the full staff of clerks, ticket collectors, train callers, baggagemen,* porters, ushers, matrons, policemen, detectives and telephone and telegraph operators.

“Labor at Stations” includes the pay of the laborers and foremen of every character who receive, deliver, tally, weigh, truck and stow freight. It includes the labor of handling mails, the caring for freight in transit, such as transferring cars, coopering, straightening up or reloading lumber or other shipment on cars, feeding and watering stock.

In addition to all the foregoing, “Labor at Stations” includes the wages expense for tending boilers, and stationary engines to heat, light and perform other services about the premises, and the expense of cleaning the station.

Any telegraph or telephone operators on the station staff whose services are exclusively for dispatching trains or telegraph and telephone operations respectively are charged to those accounts, and not included here.

If the regular work of handling freight—loading or unloading—at terminals is done by contract and is not an outside operation, it is charged to this account (Case 65).

64. Weighing and Car Service Associations. When in the stages of competition the railroads had progressed so far as to agree upon published tariffs, the rate competition was not at once thereby entirely suppressed. Among the forms of evasion practised was that of underbilling freight, either by underweighing it, or classifying it in a lower class than that in which it belonged. Rival railroads might be morally certain that their competitors were guilty, but their only recourse was to adopt the same practice themselves. Because irregular practices of this

kind were open to every road to adopt either on initiative or by way of reprisal, there was no protection except by joint action and the establishment of an independent agency to inspect the weighing and billing of all freight at competitive points, and to enforce penalties on the offenders on a prearranged basis. These weighing associations came to be a regular feature of railroad operations, and the proportional cost of maintaining them, which was paid by each road, came to be a regular item in their monthly expenses.

With secret competition in rates eliminated, there remained the competition in service, and a particularly large kind of such competition was in the irregular use of the freight car by shippers. The car has always been a traffic maker, as it can be on legitimate lines, but it is a very expensive form of a warehouse for a railroad to provide, even if extended warehousing were an item in the rate. Such great abuses arose in this connection that railroads for mutual protection were compelled to organize associations to enforce established rules for the collection of demurrage after the scheduled allowances for unloading of cars had elapsed. These associations were called Car Service Associations. Both the Weighing and the Car Service Associations were a result of irregular competitive conditions, and both also were to guard against irregular practices by the operating department at stations. They therefore fell into the same class of expense. This account includes all expenses of every character for the associations described above.

65. Coal and Ore Docks. Coal and ore constitute a very large part of the tonnage of some roads; the condition of handling is substantially the same, and is also different from the handling of other kinds of freight. The load is shot into the car by gravity at the forwarding station; a large tonnage is carried by each car; protection against weather is unnecessary, and the discharge at destination is generally by gravity. While the carload rate at which such freight is carried relieves the

carrier from the expense of discharging the freight at destination, if the volume of traffic justifies, the carrier will install an unloading plant. The business does justify this at a very large number of stations, and always at a water terminal, which is generally also a strategic routing point. Should the service, however, include the storage of coal or ore and the reloading on forwarding order, such service would be auxiliary to the regular performance of transportation: a special charge would be made and the operation would constitute an outside operation (Case 487).

This account includes the operating cost both for labor and supplies and presumably for rent, of those coal and ore docks which do not classify as Outside Operations. The distinction between supplies and the material used in maintenance, must be carefully preserved, the latter being a maintenance charge. Furthermore, the "supplies" here charged do not include stationery and printing, for which there is a separate account which includes all stationery and printing used in the Transportation Department.

66. Station Supplies and Expenses. Under the head of "Station Employees" is a full description of the station employees whose labor is there provided for. It is the supplies and expenses for the station that are provided for under this account. The former expense is the pay-roll labor, while this account includes all other expenses for the operation of those stations, except stationery and printing, insurance and repairs, of which the last named is maintenance. A station performs a function for the public directly. Should the station incidentally be made to serve in addition any other purposes, such as those of the telegraph company or any particular phase of the actual work of the Transportation Department, such as the dispatching of trains, these are in the nature of secondary functions at this point. On this theory, charges for office space may not be made (unless specially provided for in the telegraph con-

tract), but all direct expenses and supplies incurred by such services should be eliminated from "Station Supplies and Expenses." Pay-roll expense at stations is separated from "Station Supplies and Expenses" because it is less flexible.

The two leading items of this expense are "Heating" and "Lighting"; subheads are therefore provided for each. "Heating" embraces the supplies expense for fuel, water, steam to heat station waiting rooms, freight and passenger offices, and other office buildings.

"Lighting" provides for all station buildings, rooms and offices, and street approaches, but does not include provision for yards. The expense embraces the supplies and expense of every character to perform the lighting, whether by purchased or produced gas, or current, or by oil. Under the subhead, "Other Expenses" is gathered the great bulk of station supplies and expenses. If the building be rented, the rent charge is lodged here. Furniture, as desks, stoves, carpets, typewriter stands, water coolers, their cost, repairs and renewals are all classed with supplies, as items that practically give up most of their value at the place where the furniture is first assigned. Hand implements for handling freight and baggage, or outfit for general utility, such as horse and wagon, or bicycle, are also held to be too small as individual units to be treated otherwise than as supplies, and therefore are "charged out" when put into service in the same manner as lanterns, buckets, ladders, marking-pots, uniforms or badges. Lantern supplies, horse feed and shoeing, locate here naturally.

Payments for any special service about the station are a part of this expense, such as for sanitary service, for water, washing towels, or sprinkling about station, rent of special tools or patented devices, premium on station employees' bonds, licenses for ticket agents' membership in agents' associations.

Rent is generally a charge to income, but rent of station

buildings is made an exception to the rule and charged to this account. (Case 564).

Transferring mail under contract is charged here (Case 628), but contract expense for loading and unloading freight is a charge to "Station Employees" (Cases 65, 517.)

Yard Service—General. As noted in the general analysis, transportation consists of two parts: the road haul; and the classification work at both ends. At the forwarding end when the car is ready to be moved, it must be classified according to the train into which it goes, and to an order in that train according to its destination. This classification is repeated at division terminals en route as the train "consist" is changed by dropping out and picking up cars. At destination the car must again be classified and switched, this time according to the point at which the delivery is made, either the house track or piers, or particular team tracks.

In the mining regions it frequently occurs that this classification or assembling of cars into trains involves extended switch movements from various collieries, or other mine openings, or colliery, or mine tracks, on lateral lines to a point of assemblage for the district where the train is made up. Up to this time the work is called switching, and when the cars are assembled in a complete train they pass forward as a regular road movement. On the return of the empty cars to the collieries or mines, the converse movement occurs, namely, the dispersal of the cars from a common point of distribution for the district which is the end of the road haul. When freight handled in this way is billed from the point of concentration, that is where the road movement begins, the preliminary movement is technically "switching," which may or may not have a specific revenue, but is, however, definitely classed as yard service. When on the contrary the way billing is direct from each colliery or mine, the haul from such colliery or mine to the point of concentration is not considered switching, and

the work is not considered yard service, the charge being made upon regular tariff basis (Case 69). The foregoing movements are those incidental to transportation from the railroad yard or station at the point of origin to the yard or station at the point of destination. They are a part of the regular service which is paid for in the regular rate.

In addition to this classification from and to points in the railroad's own yards at the forwarding and receiving station, there is a switch movement called commercial switching, for which collection is made directly, or in the apportionment of a through rate. Such switch movement is from and to industrial sidings on the carrier's lines, between industrial sidings on the carrier's lines, between foreign roads and industrial sidings on the carrier's lines, and between the carrier's road and industrial sidings on foreign lines, and also between connecting carriers when an allowance is made for such transfer. These movements are performed by a switch engine, without a caboose, in that irregular movement called switching, which is made without train orders or schedule between designated switching limits. In this way it is distinguished from the train movement on the line of road. Such special movements are considered additional service outside the regular transportation, and a switching charge is made therefor. This charge is generally an arbitrary one at so much per car, though sometimes it is on the basis of weights, but regardless of the class of the freight and the exact distance switched.

The foregoing both in respect to the classifying work and the actual switch movements, refers to cars in commercial service. There is also a movement through the yard, and within switching limits, of cars in company service, such as those carrying company material; ties, rail, ballast, or supplies. Such freight yields no revenue; if moved in trains, the train is called a work train; when any considerable volume of such service is performed by a switch engine it is charged to a work train ser-

vice open account, through which it is cleared to the charge of the work performed. In the same manner, there is a very considerable volume of switching in and about shops. This is not commercial switching, and it is therefore not charged with regular yard service, but is carried to "Shop Expenses" and there cleared to the accounts chargeable for the service performed.

Work of the nature above described is performed by a special organization under the yardmaster, except at way stations, when it may be done by the local freight train. It constitutes a fixed type of railroad operation, and therefore the wages and expenses of the organization which performs it are gathered together in a group under descriptive heads by which the total expense can be followed and analyzed. The switching done along the line of road by regular trains at points where there is no regular switching service maintained, does not belong to this group, because such switching is merely an incident of the regular road service. It has been ruled that a road engine regularly switching eight hours at a turning point is performing an assigned yard service, and therefore a portion of such engine expense should be charged to yard service under the proper head (Case 71).

67. Yardmasters and Their Clerks. This account is intended to embrace the salaried expense for the administration of the yard service as next above described. It begins with the highest titled officer assigned to the direct care of the yard service, and called general yardmaster. A superintendent of terminals, however, whose duties embrace the handling of freight as well as the switching of cars would be charged to "Superintendence" and not to this account. Passing down the scale, the account includes: yardmaster, assistant yardmaster, and general yard foreman; but the same principle that in the case of M. of E. applies to draw the line between superintendence and supervision, charging the latter with the direct labor, operates

here to place the yard foreman with his brakemen and yard switchmen, under the head of "Yard Conductors and Brakemen."

With the officials go their staff of clerks and attendants. Besides the superintendents and staff, this account also includes the general salaried expense for policemen, watchmen, and detectives in yard service. The continuity and general character of their service put them substantially in the same class as the yardmaster's clerks. In addition to the making up of the outgoing train, the yard service has the responsibility of making up the passenger and freight train crews, and the employees who "call" both these crews and the yard crews are charged to this account.

68. Yard Conductors and Brakemen. Yard service has been fully characterized under its own caption. The actual yard work is performed by movable gangs detailed to work with a specific engine as its switch crew, and constituted of "yard brakemen" or "switchmen," under the direction of a yard "conductor" or "foreman." These forces are distinguished from the yard switch and signal tenders who are assigned to fixed locations in the yard, and are cared for under another account, which has less direct relation than this to the fluctuations of business.

The wage expense only of yard conductors and brakemen is charged to this account.

69. Yard Switch and Signal Tenders. As an auxiliary to the moving gang in the yard, which travels with the switching locomotive, is a force of assigned switchmen and signal tenders, who throw switches, control signals, or operate interlocking plants which may be used exclusively for the government yard movements. A primitive type of yard is operated entirely by the switch crew which moves with the switch engine, and this expense is charged to "Yard Conductors and Brakemen." As the business becomes heavier, men are assigned to throw particu-

lar switches on signal. In time the manual throwing of switches and the corresponding signals, is superseded by a mechanical or mechanical-pneumatic control centered in an interlocking tower, under the care of a lever man. In the last two forms of yard operation by assigned switch tenders and the lever men, the necessity for this account arises, which provides for service auxiliary to that of the yard conductors and brakemen. With the installation of the tower comes the force to man it. Besides the lever men, there are the battery men, stationary engineers and firemen, operating air compressors, which furnish power for signals. In addition, there are included the force of lamp men, lamp cleaners and lamp lighters, who care for the fixed yard lights which are used in yard service by night. But at stations where there is no regular switching service such work is charged to station employees who generally perform it at such points. Telegraph operators are specifically not included in this group, because they are cared for under telegraph and telephone operation, being a part of the organization that keeps open the system of telegraphic interchange for all purposes. The lubrication of switches and signals belongs to this transportation expense item, but the cleaning of switches of snow and ice is a responsibility of the M. of W. and S. Department, and charged to the "Removal of Snow, Sand and Ice."

70. Yard Supplies and Expenses. The foregoing yard service accounts have provided for the labor expense of yard service. This account is to take care of yard supplies, and expenses other than labor (excepting always stationery and printing, for which there is a general transportation account). It includes primarily the rent of any buildings occupied by the yard service. This item of rent is not specified in the account, but it is specified in similar accounts, and presumably should be included here. These buildings are generally owned, however; there is no rent charged for them, while their repairs are a M. of W. and S. expense. All other current expenses of these buildings, such as

heating, lighting, furnishing, and miscellaneous supplies classify here.

This account provides the working force with their equipment and supplies of lanterns, oil and wicks for lanterns and switchlamps, lubricants for yard switches, flags, switch keys, switch ropes and chains, supplies for producing power to operate a mechanically controlled switch system by compressed air or other means. Next, this account covers payments for lighting yards, for telephone service, cost and expense of horses used by flagmen preceding trains in city streets. All the foregoing supplies are sharply distinguished from material used in repairs by the characteristic that such supplies are of current consumption, like coal and oil, or are such small units as lanterns and switch keys, that they are being perpetually renewed, or that they are of such specific adaptation to the place where applied that they could have no value elsewhere; such as furniture, which loses its new value immediately on first use. Typewriters and adding machines are considered "Stationery and Printing" and not charged to this account.

71. Yard Enginemen. The yard service already described (page 139) is broadly divided into two main parts, namely, the yard men and their expenses, on the one hand; and the yard engine expenses on the other hand; both wages and supplies. This distinction is an entirely natural one. The switch engine is the great movable tool which is used in yard service in connection with the plant of classification tracks, switches, leads, crossovers and signals to perform the work of classifying and switching cars. This tool is of fairly uniform type in cost of upkeep, fuel, wages and supplies expense. Save in infrequent cases where the volume of traffic justifies a special type of switch engine for the freight business, the ordinary switch engine performs both passenger and freight switching. It is of somewhat different design from the road engine in order to be under better control for quick movements forward and backward, and to

move safely around short curves and over frogs. In the mining district, however, the road engine is made to do the mine switching between colleries or other mine openings, and the end of the road run. But this service is more particularly a matter of direct movement of irregular "cuts" than of classification.

In the electrification of tracks in the large cities there has been introduced the switching of cars by electricity. This is, so far, confined to passenger service (save some tunnel movements), and that only at a few points, so that it is practically a negligible factor.

Yard enginemen include both the engineer and the fireman. These two men are of different grades and have different rates of pay, but they are mutually complementary, the service being incomplete without both, so that their wages together form a unit of expense. Their time is regularly charged to the Transportation item of expense, "Yard Enginemen," unless they are switching for the shop, when the charge is made to M. of E. "Shop Expenses," or unless they are making up work trains for the Maintenance of Way and Structures Department, in which case the expense is borne by that department.

72. Enginehouse Expenses—Yard. The switch engine, which is the big movable tool used in yard service, is itself so large and intricate that it requires a force and special plant devoted to its housing, maintenance and preparation each day for its regular service. Part of this care is upkeep, and part of it is mere application of supplies and renewal of trivial units of equipment which are of the nature of supplies. The former is maintenance, and it affects the life of the locomotive, not alone in its ability to do the work of the current day, but in its ability to do work for several days and weeks; whereas the latter affects only its ability to do the work of the day. Its effect is consumed in each daily performance. The latter expense is therefore a definite and specific charge against the work of the day. A given number of tons of coal have been consumed, a given num-

ber of gallons of oil have been applied, seventy-two constructive miles have been produced, and six hundred cars have been handled during the day's work. The maintenance is provided for under M. of E. "Enginehouse Expenses—Yard" is a Transportation expense and therefore is limited to that part of the work done on engines at terminals, which is not properly maintenance. It is further limited by the withdrawal of fuel, water, lubricants, and other supplies for yard locomotives to separate heads. In this theory there come to be included in this account the cleaning of fires, washing of boilers, cleaning of fire boxes, oiling, packing trucks and cylinders, receiving, turning, watching and despatching the locomotive. The coaling expense is not charged to this account but to "Fuel for Yard Locomotives."

The line between maintenance and this account is drawn by charging inspection of the locomotive to engine repairs, but inspection of ash pans and smokestacks, to this account. This is because the former is a matter of wear, and the latter a matter of current manipulation and adjustment.

There is a class of supplies used at the roundhouse in the performance of cleaning and general hostling, which is charged here because it is an incident to the work done, and not like lubricants and fuel, a supply applied at the terminal to be consumed on the run. Examples of such supplies chargeable to this account are boiler oil, lamp black, waste (used in cleaning), lye, cleaning and polishing compounds, hand tools for truck packers and hostlers.

With the direct expense of performing the kinds of work above enumerated necessarily goes all incidental expense of heating, lighting, and cleaning the premises, furnishing any power required, and all supplies and hand tools in keeping the plant and its equipment in working order, and disposing of waste; thus power for operating turntables, oil for lubricating them and lighting their signals, shovels

and wheelbarrows for handling cinders from the ash pit; rent of cinder cars; and all water used about the premises, except that supplied to engine tenders, would be embraced in this classification.

This account includes both labor and supplies expense, the wages of the roundhouse foreman and his clerks, being divided arbitrarily between engine repairs and this account, and the division in respect to the other labor being determined by actual assignments.

In case the yard engine roundhousing is done at a terminal where both road engines and yard engines are cared for, the charge of each class should be upon the basis of the number of engines handled.

73. Fuel for Yard Locomotives. Fuel is a large single item of yard locomotive expense. Regardless whether the fuel be coal, coke, oil or wood, it performs the same function and therefore constitutes a definite classification of cost. It is the source of power for moving mass, which in terms of the mechanical engineer constitutes the operation of transportation.

The cost is the cost of the fuel placed on the tender. Therefore besides the invoice cost of the fuel, it includes any freight charges paid, and the operating expense of fuel stations for labor, supplies, and hand tools. But repairs of the coaling station and its fixtures are charged to "Buildings, Fixtures and Grounds," M. of W. and S. The theory is, that the supplying of fuel to road units of power, at fuel stations is so permanent a feature of a railroad's operations that its plants and facilities are incorporated into the general type of the road which is cared for as a whole under M. of W. and S. With the cost of operating the fuel stations is included a proportion of the pay of fuel agents and clerks engaged in accounting at fuel stations.

74. Water for Yard Locomotives. The performance of yard work by steam locomotives renders the work of watering

locomotives a fixed feature of yard operation. Sometimes the water is furnished by public water supply systems and simply piped to the water station. At other points it is supplied by the railroad from its own sources by an elaborate plant of piping, pumps, pump house and water tank. In either case, the full amount of the current expense from the first cost of the water up to its delivery in the engine tender is included in the charge to this account. In case the water is bought delivered, the expense is so much per metered unit or period at a given point supplied. In case the railroad has its own water plant, this account includes the yard portion of any rental of water rights and rights of way for the line, the labor and material consumed, and expense of operating the plant. Such supplies would be fuel or gasoline for power; oil and waste for the machinery; packing, hose, stoves, coal and oil for heating or lighting the pumping station; compounds for purifying the water, and any incidental tests of the water to determine its effect upon formations on boiler tubes.

This account must take care of all irregularities in yard water supply due to extraordinary weather conditions. Thus, it must bear the expense of hauling water for yard locomotives in times of drought (Case 458), and of making temporary connections between water cars and locomotive tenders, and keeping water in tank cars from freezing, and thawing out water stations. This is in contrast with the principle applied in the case of the freezing of switches, when the expense of thawing them out is considered a charge to M. of W. and S., and not to Transportation Expenses.

The foregoing expenses are those special to the operation of a particular water station. The yard proportion of any supervisory expense incident to the operation of the general water supply, would be charged to this account, together with the yard service proportion of the direct expense to individual water stations (Case 201).

As the water stations are not generally arranged for the exclusive use of passenger, freight or yard service, in arriving at the amount due to each of these services, the basis of apportionment is the number of tons of coal used by these engines respectively which draw on the common source of water supply. This is due to the fact that there is a fairly constant relation to all locomotives between the pounds of coal consumed and the gallons of water converted into steam.

75. Lubricants for Yard Locomotives. A large and distinct item of yard locomotive operation is the oil and waste used for the lubrication of the machinery. It is distinctly a supply as contrasted with material used for maintenance, and it should bear a fairly constant relation to the work done, so that it can be followed with practical precision. The bearing surfaces which have to be lubricated have different degrees of delicacy of adjustment, and therefore different grades of oil are used for specific parts of the machinery. These lubricants generally are valve, engine and car oil, with occasional compounds. In good practice they are not interchangeable, so that their difference in price does not vitiate comparisons of the expense due to a differing proportion of the several lubricants used for the same result.

76. Other Supplies for Yard Locomotives. To this account are charged all the supplies and small equipment issued to yard locomotives for their work, except fuel, water and lubricants. Such supplies are distinguished from those used at the roadhouse in the process of cleaning and wiping engines. They include such items as invoice cost of sand, dried and furnished at the engine house, supplies of oil and wicks for headlight and other engine lamps, and for engine men's torches; also supplies incident to the production of electric light or acetylene gas if used in the headlight of the engine. Supplies are material of immediate current consumption as distinguished from material used in repairs which is not of immediate current consumption, but

whose life extends over a considerable period. In marking the distinction it has been ruled, that metallic packing is a charge to repairs and not to supplies (Case 256).

The small articles of furniture, tools, etc., which constitute the equipment of the locomotive and which may be renewed from time to time, constitute the great body of "Other Supplies" of yard locomotives. Examples of these would be axes, brooms, crowbars, signal lamps, lanterns, switch keys, jacks, shovels, scoops, and engine equipment of hand tools. This account is designedly of a miscellaneous character to provide for the "all other" items after the principal items of fuel and lubricants have been set into groups by themselves.

When it is not possible to apportion the issues of sand between the services to which they apply, no part of such expense should be charged to yard service, but the entire charge should be made to road service (Case 75).

77, 78. Operating Joint Yards and Terminals—Dr., Cr. Most of the yard service occurs at large cities and at terminals which generally are interchange points with other roads. A considerable part of the yard service performed at such points is the transfer of cars to and from connections, which is entirely a switching movement. To reduce the cost of such work to the minimum, connecting carriers frequently arrange that one or the other shall perform a service for both at those places on a co-operative basis, the expense being billed at cost. The road which has the plant of yard, switch locomotives and organization, handles the business as a whole, setting the entire cost against the entire work done, under each of the proper heads of account, of which there are some ten for yard service. In order not to disturb the actual rates between this expense and the units of work done, in the detail of this road's statistics, it is arranged to leave in these accounts as first charged, the full amount of such operating expense as may be chargeable to the connecting carrier, and to make the accounting for the bill that passes, by setting

up an offsetting credit in a general yard account, designated "Operating Joint Yards and Terminals—Cr." The debtor road on its part takes up the amount of its charge in a corresponding general yard account Operating Joint Yards and Terminals—Dr., without disturbing its ten detail accounts of yard expense, comprised of charges originating in its own service against which it has its own units of performance.

Train Movement—General. Actual transportation on a railroad has two main phases, namely, that of handling traffic and classifying the cars in which it is moved, at the points of origin and destination, and performing the actual haul between these points. In the performance of this haul the railroad uses the largest tool in its outfit of plant and equipment; this largest tool is the train unit, which is the unit of movement between these termini. This train unit is composed of two parts,—the equipment in which the traffic is carried and the power which moves this equipment with its load. An exception to this is the train composed of electric or gasoline motor cars in which the power and the cars comprise one and the same equipment unit. The division into these two parts is a valid one because the power can be kept in constant movement while the equipment may be lying at terminals to receive or discharge traffic. Except so far as it is necessary to adjust the power to the balance of traffic, which commercial conditions impose, the power should move under full load.

This road movement in train units is primarily for revenue. Road movement in train units which does not yield revenue falls into a class by itself called non-revenue train movement, and its expenses are charged directly to that phase of the railroad's maintenance or management to which they apply as an incidental expense to such work, whether it be a charge to M. of W. and S. for work or ballast train service, or to the administrative expense of any department of operations as a special service. For such movements both the expense, and the train, engine and car miles

involved are eliminated from the regular revenue service classifications of expense and mileage respectively. In case such special service is for less than a full train, no charge is made except for the actual extra expense thereby created above the requirements of the regular service.

This power expense for revenue road service is classified under some nine accounts which set it out under the heads of its principal congruous elements.

79. Motormen. With the introduction of electricity in railroad operation, there are now two methods of power production; the first, by the steam locomotive, is that of many independently operated and complete power units. The second, where electric propulsion is used, is that of a single power generating plant, where coal is converted into energy, and where a distributing transmission system delivers to a large number of moving power units called electric motors. Because the performance of these moving units does not include the actual conversion of coal into energy, but merely the application of energy generated elsewhere, the account of motormen is set up in distinction from that of road engine men.

This account is for the specific expense of manning the electric motor unit to move commercial trains over the road. It includes, therefore, motormen's pay for all incidental "light" movement for balancing power, and the expense of any necessary dead-heading to and from actual train movements. If a motorman from another division carries a train over the line, the expense of a pilot familiar with the local signals and operating conditions, who must go with him, is chargeable to this account as the pilot is necessary to the movement of such train. Motormen on non-revenue trains are charged to the department served, and not to this head of transportation expense.

80. Road Enginemen. The steam locomotive as a complete independent power unit is regularly manned by the fireman, who provides the power, and the engineer, who drives the locomotive.

They are of different grade and rates of pay, but neither occurs without the other, and therefore their wages together constitute a unit. This is the wages expense for the complete power unit which pulls the commercial train over the road. It therefore includes the expense of running "light" incidental to picking up a train when balancing power. It also includes the expense of deadheading to or from a train run. But the cost of a pilot to explain the signals and local conditions in case a crew is not on its own division (though still on the home road) is charged to "Road Trainmen." If the pilotage is incidental to detouring over a foreign road at time of accident or washout the expense is charged to "Train Supplies and Expenses." The expense of road engine men moving non-revenue trains is not chargeable to this account, but to the department which may be served. In case the movement is to or from shops (not directly resulting from a road breakdown) the expense is charged to "Repairs Locomotives" (Case 54). .

In making the distinction between road and yard enginemen it has been ruled that the mine shifting from the colliery to the point where the road train is made up, is not considered a road movement unless the freight is billed from the colliery (Case 69).

This account is primarily for steam locomotive enginemen, but in case the engine were driven by gasoline instead of coal, or were even a motor car (not electric), the driver's wages would be a proper charge to this account (Case 73).

81. Enginehouse Expenses—Road. The road locomotive is one of the large tools in railroad operation, in fact it is the largest physical tool that is a single entity. It performs its service in runs of a hundred miles to one hundred and fifty miles, in which it consumes oil, fuel, water, and miscellaneous supplies that were placed on engine or tender at the beginning of the run. It accumulates ashes and a clinker bed for its fire, scales on its boiler, and dirt in its boiler tubes, loosens its cylinder packing, accumulates cinder in its front end, and gathers dust and dirt

which must be removed to make it sightly. In addition, nuts are loosened, wearing parts worn down, structure strained and a process of wear carried on that reaches to all its parts. The latter require a constant inspection to detect serious defects, but the repair work can be deferred over extended periods, while the actual small adjustments and repairs at the end of each run will produce a serviceability in the parts repaired that will meet the demands of many runs before another renewal is necessary. But in case of the other body of effects produced by each run, restoration must be made each day before the next run is possible. By this principle, these constitute the direct consumption of each day's use of the locomotive, which must be offset by productive work. The expense of meeting these conditions is a distinct current transportation expense as differentiated from the expense of meeting the other conditions, which is a M. of E. expense and charged to the item "Road Engine Repairs." This general expense of handling the road engine at the terminal is set out under five heads of significant and congruous items. Of these five heads "Enginehouse Expenses" is designed to include the expense of actual work (not maintenance) on the engine, and all supplies directly used in such work, but not the supplies that are put on the engine to be consumed in the run, for which the other four accounts provide. Such enginehouse expenses are the actual work on the engine of wiping, cleaning, firing, dumping fires, boiler-washing, watching, turning and dispatching. The account includes also the operation and supplies expense of any incidental plant, such as the turntable, transfer-table, sand-drying stove (except coal for sand-drying stove), hand tools, and supplies of boiled oil, lampblack, rags, waste, etc., used in the work of cleaning and packing trucks; it includes the incidental work of cleaning around the enginehouses, removing ashes and cinders, with any rent expense involved. The line of distinction between the work which is maintenance and that which is transportation expense is defined by charging the locomotive inspector

to the former, and inspector of smokestacks and ash pans to this account. This is upon the theory that the former kind of inspection has to do with wear, while the other inspection has to do with the current manipulation and adjustment of parts in operation. The line of distinction is further defined by charging the front end paint applied to locomotives at the enginehouse, to this account and not to "Locomotive—Repairs" (Case 391).

The administrative expense of enginehouse foremen and their clerks is apportioned between M. of E., and Transportation Expenses, according to the work done. With the roundhouse, goes the complement of callers, laborers and watchmen who look out for the calling of engine crews and have a general care and watchfulness of the property. Enginehouse expense may be apportioned among groups of engines served, on the basis of engines handled. Enginehouse expense for engines in non-revenue service should be charged to the department for which the service is performed, and not to this account.

82. Fuel for Road Locomotives. Fuel, whether coal, coke, oil or wood performs the same function in the production of power on road locomotives. It is one of the heaviest items of transportation expenses, and therefore kept in an account by itself. Its cost includes not only the invoice cost, but all freight charges up to delivery on the road, and all actual expenses up to the point of placing the coal on the tender, including not only the direct labor, but also the cost of all hand tools used in this connection. Wheelbarrows are considered hand tools, but coal buggies are classed with coal chutes, air hoists, pockets and screens, as fixtures of the coal handling plant, and their repairs and renewals are included in "Buildings, Fixtures and Grounds." The account includes the wages expense both manual and clerical at fuel stations, and presumably any cost of heat or light furnished at such points. Fuel supplied to locomotives in non-revenue train service is not chargeable to this account, but to the departments served.

83. Water for Road Locomotives. Water is supplied at some places by public service, and at other places by installations of the railroad. This account embraces the entire cost of the water delivered on the road locomotive in commercial service, including first cost, if metered or had by water rights, and all incidental operating costs,—such as heating and lighting water-stations and expense for coal or oil for power,—but excluding all repairs of plant, which are a M. of W. and S. charge. With the direct cost of labor, and material consumed, is embraced the cost of small hand tools and miscellaneous supplies used at the water station. With the expense of supplying water is included the expense of treating it, such as the salary and the expenses of superintendent of water service, who supervises the work of treating the water.

This account takes care of the water supply under abnormal as well as normal conditions. Thus the wages of a train crew hauling water is a charge to “Water for Locomotives” (Road or Yard). Presumably all the remainder of the water train expense goes with the crew wages to this account, although the ruling is silent on this point (Case 458).

In apportioning water supply expense for locomotives to the yard and road engines, the tons of coal consumed are taken as the basis of the apportionment.

84. Lubricants for Road Locomotives. The wheel is a device for concentrating the friction due to motion, restricting it to two prepared surfaces so arranged that they serve as a container for a special material that can be forced between them in a minute film to reduce the friction. This material is called “lubricant.” The friction which it reduces is composed of the factors of weight and speed. The point where the lubricant ceases to lubricate and keep the surfaces apart, is called the “seizing point,” which determines the limiting factors in the ratio of area to weight when designing journals.

In machinery it is not possible to use the device of the wheel

at all points of friction. In certain places there is direct friction of two surfaces such as between the cylinder and the piston or the valve and the valve seat. The lubricant generally used in all of these cases is oil, but oil of different grades according to the adjustment of the bearing surfaces to be lubricated and the conditions of heat to be dealt with.

A lubricant is definitely of the nature of a supply as distinguished from "material," because it is generally a specific application for a specific limited amount of use and therefore is a thing of very definite current consumption. With the development of the science of lubrication however there are in the market various compounds which avoid the current application of the lubricant and tend to class the lubricant with the brass, which is a maintenance expense.

With the lubricant is included material of the character of supplies which is an incident in the feed of the lubricant between the surfaces indicated. Such material is waste, both wool and cotton. The function of lubrication is always present in a locomotive, both in the case of the running parts and in the case of the machine parts. Furthermore it is a phase of the locomotive expense which is very closely related to the number of miles run, and therefore constitutes a congruous item of cost justifying a separate heading.

The labor of *applying* the lubricant, together with all incidental expenses for dope buckets and other tools for truck packers, is not charged to this account, but is considered a part of enginehouse expense because the work is incidental to the general handling of the engine at terminals.

85. Other supplies for Road Locomotives. In order that a locomotive may make its run, it must be fully equipped with supplies of fuel, water, sand, lubricants and illuminants (applied and in cans), lanterns, flags, switch keys, and tools. Most of these things are exhausted during the run and must therefore be renewed after each run; the rest of them, as the tools, lanterns,

flags and switch keys when broken, worn out or lost as the direct incident of the run and also because of their miscellaneous character and the irregularity of their replacement, fall into the class of supplies.

To properly understand this account we must keep in mind the general operation at terminals of which this is a phase. The re-equipping of the locomotive with its supplies at the end of its run, together with the wiping and cleaning, the packing of cylinders, washing of boilers, cleaning of flues, dumping of fires, starting of new fires, disposal of ashes,—constitute the general care of the locomotive, which are embraced in the notion of what is generally called, “hostling, housing and turning.” This care really includes,—

- (1) The cost of supplies.
- (2) The labor of placing the supplies on the locomotive.
- (3) The labor of cleaning, and such miscellaneous work.
- (4) The tools and secondary supplies necessary in placing the locomotive supplies on the locomotive, and in doing the cleaning and miscellaneous work.

Fuel and water are each such large and definite classes of supplies that they are set up into accounts by themselves which include both the cost of the actual supplies and all costs of labor, tools and supplies directly expended (not maintained) up to and including the placing them on the engine tender. Lubricants are also held to be sufficiently large and distinctive to constitute a separate class, so far as the cost of the supplies is concerned, but the labor expended in applying the lubricants is left in the general item “Enginehouse Expense,” while the tools used in oiling and packing trucks of locomotives are charged to “Other Supplies—Road Locomotives.”

The cost of the remaining supplies furnished the locomotive is thrown into this account with which we now deal,—“Other Supplies—Locomotives,” together with the labor, tools, etc., expended in putting them upon the locomotive. These supplies

are practically included in the items of illuminating oil, sand, furniture, tools, and other movable articles and supplies required to fully equip locomotives for service. These are grouped as follows:

(a) Material for supplying light, whether by lamp, dynamo, or acetylene burner.

(b) Sand, including fuel for sand dryer, and cost of loading at sand pits; together with wheelbarrows, shovels, and screens used in handling the sand.

(c) Tools and general equipment such as shovels, hammers, hand saws, switch chains, lanterns, flags, water coolers.

Under the heading of "Tools" there is charged to this account the items that correspond to "Train Supplies and Expenses" when used by trainmen, or in connection with trains, such as, bell cords, torpedoes, lanterns, oil cans, packing hooks and spoons.

The sand does not include the cost of labor of drying, which is charged to "Engine-House Expenses."

Locomotives are generally permanently assigned to road or switch service, but in cases where this is not true, it has been ruled that the expense under this account should be apportioned between the two services on the basis used.

86. Operating Power Plants. Plants for producing power occur on a railroad as below:—

(1) For propulsion current alone.

(2) For shop machinery alone.

(3) For operating switches and signals alone.

(4) For miscellaneous uses in and about a building and yard, such as lighting, heating, and running elevators.

(5) Two or more of the above in combination.

The power plant to which this account specifically refers is that used for the generation of propulsion current exclusively or primarily.

The power plant is the substitute for a large number of

individual locomotives, which, in themselves are complete power units. Therefore in adhering to the original function which the locomotive performed, the expense account "Operating Power Plant," is limited, as we have seen, to the expense of producing the propulsion current.

The power plant embraces both the generating station and the sub-stations, because they have to do with the production, or transformation or conversion of current, and involve machinery and skill of a special class.

The operation of these plants includes the labor, material supplies (and presumably small tools) expended in the processes of converting water power or fuel into electricity, and the current expense of storing, transforming and converting the current thus generated. It does not include the maintenance of the machinery itself, which is charged to M. of E.—"Power Plant Equipment," or of the building which houses it, which is charged to M. of W. and S.—"Buildings," or of the line which transmits the current, which is charged to M. of W. and S.—"Electric Power Transmission."

The kind of expense by which this function is performed, is the pay for all employees who pass the coal, man the furnaces, operate the engines, machinery, turbines and dynamos, and throw the switches controlling the current, locate the short circuits, meet emergencies, and generally operate the plant. (Those engaged in making repairs and renewals are charged to the M. of E. account.) The kind of expense charged to "Operating Power Plants" must also include the cost of fuel, together with freight and delivery charges, and unloading and stocking expense; likewise the cost of water furnished to produce power, either by steam or water fall, including any expense of pumping, or renting of ponds, streams, or pipe lines. The cost must further include all supplies for cleaning and lubricating the machinery plant, and the renewal of small wearable parts, which because of the irregularity and miscellaneous character of

their renewal are of the nature of supplies,—such as, carbon brushes, fuses, and lamps, and like items incidental to the operation and the heating and lighting of the plant.

Finally this account must include any supervision which is limited to the operation of the power plant. In case this supervision, which is of a special character, includes a responsibility both for the operation and maintenance of the power plant, the expense of such supervision presumably is apportioned between operation and maintenance, in the same way as the expense of supervision of telegraph is apportioned to operation and maintenance under analogous conditions.

87. Purchased Power. As explained under the head of the foregoing account “Power” as understood in the classification of expenses, is limited to power for propulsion currents. Inasmuch as the account includes all payments for such power purchased, it is plain that the classification does not contemplate the extensive interchange of power among the carriers, otherwise it would have provided an operating joint power plant heading, to serve as the account through which the interchange of bills for such service should be made, as is provided for in the case of joint use of terminals or tracks.

88. Road Trainmen. The road train is the regular moving unit between termini. An engine running light, without a train crew, is not a train, but running light with a train crew, although it may have no freight or passenger cars, it is called a train.

The movements of engines and cars are divided into two broad classes, namely, road movements and terminal movements,—the latter being called switching. This distinction rests upon many considerations. In the first place, the terminal movements are short, irregular, and for various purposes, and when revenue is collected it is upon an arbitrary basis; the terminal movement is at slow speed, within fixed yard limits. The road movement is under exacting conditions for safety, at high speed,

under telegraphic order or block signal control, and if a revenue train, the tariff is approximately progressive with the distance travelled. While a "movement" is over a division or operating district, a "yard movement" is either through a yard or through a single stage in a yard.

The distinction between the two classes of movements is generally sharply defined, but in case of mine switching it must, at the last, be made arbitrarily. There is usually some point in the mining region at which the several cuts of cars are gathered into one string, and the regular road movement is begun. All movements up to this point in assembling the train, and conversely all movements beyond this point in the distribution of the cars in the train, are yard movements. But if the freight is billed from the colliery, then the entire service is classed as road service. At some interchange points the terminals of the two carriers are separated by an intermediate stretch of road mileage, but the road mileage is so short that a regular transfer switch crew performs the movement. In such cases it has been ruled that this is a road movement, and the crew expense would therefore be chargeable to "Road Trainmen" (Case 641).

Since the whole intent of the classification of expenses is to set against the earnings account the expenses incurred in producing the earnings, this account of "Road Trainmen" refers only to revenue train movements. Non-revenue train movements are charged to the accounts served,—which may be "Superintendence," "General Office Expense," "Work Train Expense," or "Shop Expense" clearing accounts, according to the work done.

The expense of manning the revenue train on the road run described, is a large and congruous item of cost, unusually precise, and capable of definite measure against the work done. The engineers and firemen (or the motormen, as the case may be) have already been set out to a separate account under their

proper head, because their duties are partly mechanical and partly operating. There remains the complement of train crew, regularly necessary to move the train, execute train orders, read and communicate the signals, protect the rear end against collision, throw road switches, collect the tickets, carry the way bills, receive and discharge the baggage or way freight, preserve order, perform usual functions for the safety, comfort and convenience of passengers. These several employees are the conductors, train auditors, baggage men, brakemen, flagmen, train porters (on revenue trains), and other train men performing like service. This classification includes the expense of pilots, who pilot crews over divisions of the home road with whose signals they are unfamiliar. If the pilotage however is incidental to detouring a train over a foreign road when traffic on the home rails is interrupted, the charge is to "Train Supplies and Expenses" instead of "Road Trainmen." The expense of dead-heading any of these trainmen to return them from a completed run, or to take up a new run is an incident of the expense of their regular service, and is charged with their regular service.

Other men on trains who perform service not directly chargeable to the regular freight or passenger movement would not be charged to this account. They would be porters, chefs and waiters serving officials, and charged to the expenses of those officials; or they would be attendants performing auxiliary service for which extra revenue was collected, such as employees of the dining car, Pullman or parlor car, and the revenue collected for the auxiliary service which they perform, would bear their expense under the appropriate subheadings of "Outside Operations."

89. Train Supplies and Expenses. The revenue train unit is of two parts; the string of cars that make the train, and the power that moves it. The operating expense of the string of cars in a train is subdivided into the expense of manning the train, and all other current expenses (excluding power) directly inci-

dental to moving it over the road. Repairs is not a "current expense," but maintenance, and therefore not included. Shunting cars into a train is not a charge to this account because these cuts of cars are not a train until the shunting is completed. Yard shifting of the full train itself is also eliminated, because it is a mere yard movement, that is, an incident of a road run and not the road run itself. Train supplies and expenses of ballast or material, work, or officers' special trains do not classify here because this account deals only with *revenue* trains.

"Train Supplies and Expenses" covers that class of labor and material applied, whose effects are consumed as the train runs, so that a new application is necessary at the end of the run to prepare the cars for the next trip. Cleaning is distinctly of this character. Heating cars consumes coal with every mile of travel. Lighting expense conforms to the same principle, likewise lubricating, which is the storing of oil in the oil boxes to meet the demands of the run as the successive miles are told off. Icing and watering cars are also of the same class. These different kinds of expense are for different specific uses and therefore are mutually exclusive, but each in its way serves the requirements of the revenue train in its run between terminals. They are each made subheads because their various uses are different, and because the outfit and supplies for each differ. With the wages expense in each case goes the supplies expense, and the expense of small tools and movable articles used, which are subject to irregular renewal as single items, and therefore their renewal constitutes a supplies expense. Thus, in the matter of cleaning cars, in addition to the labor is charged the water and soap used, also brooms, brushes, sponges, water and steam hose, fuel for heating water, and compressed air for cleaning furnishings and upholstery.

"Heating Cars" includes with the labor expense, all incidental material and supplies, such as the cost of fuel, steam, or electricity for heating purposes; hose and loose articles con-

nected with the heating plants, which supply heat to cars at terminals; and also all current expense of boiler plant for like purpose. Removing ashes naturally classifies with the expense of handling the original coal.

“Lighting Cars” includes every kind of wages and supplies expense for the production of light, in all its forms from candles to electricity. Under this designation would also be embraced supplies of a secondary character, such as those used in pumping gas to deliver to the gas tanks on the cars.

Under the subhead, “Lubricating Cars,” are included with the expense for oil and waste, and the direct labor of applying it, all incidental cost for small tools such as packing hooks and dope buckets.

“Icing and watering” cars includes with the cost of the ice and the water, the labor of placing it, and buckets, ladders and hose, ice hooks or other small implements used in this connection.

The foregoing items cover the expense of work done and material used at terminals in fitting the train for the run. In addition, there is the expense for services on the run, such as those incidental to the detouring of a train, as, for instance, cost of pilot service and expense of temporary use of tracks of other companies.

“Other Expenses” is the subhead to provide for expenses of a general character directly chargeable to the operation of trains, such as, expense of keeping a lunch room for engineers, firemen and train men, contributions to the Young Men’s Christian Association, and other organizations, with the expense of their staff and organization, premiums on fidelity bonds of train men, cost of testing for sight and hearing of engineers, firemen and train men, cost of their uniforms, badges, etc., and of their lanterns, with their supplies and the care of them; also the cost of supplies furnished cars for protection against accident, for the outfit of train tools, and signal equipment placed on regular trains.

In addition to the foregoing, which are regular features of train expense for all trains, there are emergency expenses, such as transferring passengers around a wreck or broken track, with incidental cost of provisions on board for passengers, or feed for live stock, on delayed trains. There are expenses special to certain kinds of service, such as, furnishing dunnage for freight cars, or chaining loads, putting in temporary grain doors, lining or planking, or boarding box or stock cars (but permanent grain doors and double decking are charged to "Freight Car Repairs").

It has been ruled that where the engine is turned upon the Y of another company the trackage expense incurred therefor is a charge to "Train Supplies and Expenses" (Case 521). Temporary sugar cane rocks installed in freight cars (Case 611), removing advertisements from cars (Case 281) are charges to this account. While cleaning of cars is an item chargeable here, the cleaning of the yards of debris resulting from car cleaning is M. of W. and S.—"Roadway and Track" (Case 40). Water furnished engines is always a charge to locomotive water supply and never to this account (Case 74). Rent for permanent plant used temporarily by trains (Cases 74, 521), or temporary or permanent use of devices used by train men, not fixed parts of the cars or locomotives (Case 89), is charged to this account, except of course, in all cases hire of equipment (excluding emergency hire of wreck train cars which is charged to "Clearing Wrecks"), has its own account under "Deductions from Gross Corporate Income."

Profits on icing or similar service performed by this account are credited to this account.

Lubrication of work train cars or exterior cleaning of outside operation cars is not a charge to this account (Cases 245, 606).

90. Interlockers and Block and Other Signals—Operation. Having given the road the equipment and the power forming

the train unit, and the supplies and the crew to run the train, there remains the expense of manning the road between terminals to keep the right of way clear, to set the proper signals, to close the drawbridges, to keep open a system of wire communication, and to furnish a staff called dispatchers, that shall have a centralized control of the train movement. Under such classification of function this account provides for the service that gives the line through the yards by means of switches and controlling signals. Being definitely a line of road account it does not include interlocking plants operated exclusively for control of yard movements.

The work is done by switch tenders, signalmen and levermen, and there is a secondary expense of sectionmen, oiling switches, stationary engineers and firemen, who operate the air compressors, lamp cleaners and lamp lighters, and all supplies and expenses for fuel, water, light and furniture incidental to the work. Telegraph operators belong to a service that is a class to itself;—a service that keeps the system of wire communication open for all the general purposes of operation of the road, and they therefore are not included here, because this staff is devoted exclusively to the mechanical throwing of switches and controlling of signals.

91. Crossing Flagmen and Gatemen. If the line of road between terminals were upon an inviolably private right of way with highway crossings on separated grades, there would be no necessity for crossing flagmen and gatemen. This account in effect provides for those points where the public traffic abuts upon the railroad operation. It covers the current expense in every form by which the railroad protects its operations from such interference. Sometimes this protection is afforded by installation of alarm bells, or electric light (Case 269), and again by the stationing of crossing flagmen, who merely operate hand signals of flag and lantern; and again it is an elaborate installation of gates controlled by an operator, the operator

sometimes being placed in a tower so that his view may be unobstructed.

92. Draw-Bridge Operation. The line of road between terminals should be an unbroken open way to permit the free movement of the train unit. But this line is crossed frequently by the public at various points at grade, and to protect the train movement from interference there is installed a crossing service to keep the rail traffic separated from the crossing traffic when the crossing is not made on separated grades. This theoretically unbroken line between terminals is unavoidably broken again by navigable rivers where the crossing is made on a level too low to permit of vessels passing underneath. This makes necessary the draw-bridge which, as it were, is a water traffic crossing the rail traffic at grade. In order to make the crossing by water possible, the rail line must be broken, and the rail traffic held back. To operate these draw-bridges, and to watch approaching boats and signal approaching trains, a staff of bridge tenders and watchmen is necessary, and with this expense is included all labor and material expense of operating the draw-bridge, and running the stationary engines required. With the supplies of fuel and oil are included all small tools and incidental furniture and equipment (including boats), which come in such small units that they are considered practically of the nature of supplies.

93. Clearing Wrecks.* No business can operate without mishap. Railroads are peculiarly subject to accident because of the very exact adjustment of all the parts of the machine, both of men and of material, which is necessary to safe operation. There are mishaps of various kinds affecting individual employees or passengers, or trespassers, or articles of freight, or detached cars in the yard; but this account is provided for those accidents which involve the revenue train unit in the road movement. It is immaterial whether the accident be by the fault of

*See general discussion of Loss, Damage and Injury, General, page 180.

the transportation department or by defect of equipment, or defect of track, the expense is charged to the same account. This is due to the fact that the expense of a transportation blunder would have to go here anyway, while in train accidents due to default of other departments, the transportation department practically assumes such risks as an incident of its operation, in large measure because it is not practicable always to exactly locate the cause. In the same way, the effect of the wreck upon the track is borne by M. of W. and S., and the effect upon the rolling stock and locomotives, by M. of E., regardless which department is at fault.

Clearing wrecks is primarily the clearing of obstructions from the track, which is done partly by destroying the débris and casting it clear of the rails, and partly by rerailing such equipment as still can be moved on its own wheels. The work may involve the construction of a temporary track around the wreck in order immediately to restore the broken line to service, while the permanent line is being repaired at more leisure. The cost in labor of laying and removing such temporary tracks, as also the cost for reloading dislodged freight or transferring freight and passengers, express, baggage and mail are all a part of the cost of clearing wrecks. But the expense of caring for passengers or live stock if delayed on the road from any cause, whether a train accident or weather, is charged to "Train Supplies and Expenses."

Clearing wrecks embraces the direct cost of wages and supplies used in work described above, and also includes the secondary cost of fuel and wages expense of any train service used, and the wages of any wrecking master and assistant regularly assigned to the duty of clearing wrecks as they occur.

Rental paid another company for wreck cars, engine and derrick used in emergency, is of the nature of an irregular and special rent expense, and therefore charged to this account instead of "Hire of Equipment" (Case 243).

94. Telegraph and Telephone—Operation. The telegraph and telephone service here contemplated is distinctly separate from the commercial service, which is an Outside Operation and handled accordingly (Case 43).

A railroad's operations are so scattered and at the same time so interdependent, that a primary requisite is a system of wire communication among all parts. To this end a regular service is established. It is distinct from the commercial service except when both purposes are served jointly. Dispatching, which is the use of the service for the specific purpose of train control, is an offshoot from it, and has its own particular staff and expense. And at the other end of the line the leverman or the yardman, who may *incidentally* be in wire communication with the dispatcher, is charged to his particular accounts, and is not a part of the general telegraph and telephone service, because he does not serve the general requirements for all departments, nor is he part of the dispatching service proper, which includes only those "operators on line whose duties are confined exclusively to train movement."

Telegraph operators specifically assigned to the local requirements of a station are not a part of the telegraph and telephone service (Case 198). The expense of telegraph operators in general offices is apportioned among the office accounts served (Case 533); telegraph operators in traffic offices are charged to "Superintendence,"—Traffic, account 53 (Case 619) and in outside agencies as "Outside Agencies," account 54 (Case 619). These classifications are for the reason that the telegraph and telephone service is for the road as a whole, providing trunk lines and relays, standards and general administration, and offices when no one department has sufficient work to justify its own office.

With the direct work of receiving and transmitting messages, is included the expense of messenger delivery, so that the complete performance of the service from the receipt of the message,

to its delivery into the hands of the person to whom it is sent, is provided for.

The account is subdivided under three heads, as follows:

Under "Operators and Messengers" is charged the wages expense of the actual service, handling telegrams.

Under "Telephones" is charged the service which differs from telegraph service because it does not require skilled operators, and is therefore set out to a class by itself which includes all the items, labor, supplies, material and miscellaneous expense incidental to the general telephone service. Thus, in addition to the pay of telephone operators and messengers, it includes the supplies for renewing batteries and all rents and other costs (exclusive of maintenance) incidental to the use of telephone cable lines and conduits.

The wages expense of the telegraph service is provided for under operators and messengers, while "Other Expenses" embraces all other expenses of the telegraph service. These are the pay and expenses of administration of the telegraph service, and the cost of all supplies, furniture, light, rent and other office expenses. Bicycles for messengers and excess payment to telegraph companies are of the same class as rent of telegraph conduits, lines and pole lines.

In case the superintendent of telegraph has charge both of operation and of maintenance, his expense is divided equally between the operation and maintenance accounts for this service.

95. Operating Floating Equipment. The railroad is a continuous line of track on land, or, at water or other crossings, on bridges, or trestles. When these water crossings are too wide to be bridged, and rail construction therefore is inexpedient, the actual rail haul is broken by a link of intermediate water haul, but the general character of the service is still that of railroad transportation, unless this interposed link is operated by a separate operating corporation, collecting its own revenue, and

assuming its own responsibility to the public. The operation of an intermediate link of water service is a part of the operation of the railroad as a whole, and its expenses accordingly are classified with the railroad expenses under appropriate general headings.

Because it is an incidental service, the portion of the revenue attributable to the intermediate water haul, classifies as a part of the general railroad revenue. But, on the expense side, water carriage is a distinct thing from carriage by rail, in the factors that determine its expense, and the units against which this expense may be measured.

In separating "Operating Marine Equipment" from the regular rail service and setting it up as a sub-type of service, the railroad expenses and the operating marine equipment expenses, divide equally the direct current cost which is common between the two. Such cost, for illustration, is that for the interchange of traffic at the points of transshipment.

The marine service bears all expense of handling the traffic after it is once in its possession until it delivers the traffic back to the railroad; the idea is that the marine service shall bear all expense directly caused by it which is additional to the regular expense of the rail operation.

Thus it pays for keeping its channel clear of sunken boats, and indemnity for damage to boats of other companies, and to wharves, and for the supervision exclusively assigned to it. But it does not bear any proportion of "Superintendence,"—Transportation, although embraced in the general jurisdiction of this superintendence; nor does it pay for "Stationery and Printing", nor "Injuries to Persons," nor "Loss and Damage" of freight or baggage although responsible,—all such expense being carried to the regular Transportation expense accounts.

On the same principle a power plant which serves the general purposes of the railroad may be used in the transshipment to and from boats, but without any charge being made to

"Operating Marine Equipment." If, however, the power is not furnished by the company, but is paid for on the basis of its use, it becomes a direct expense, to be divided, like the station labor, between the rail and water service.

"Operating Floating Equipment" refers to the floating equipment in revenue service. Should it be for roadway service it is analogous to work train equipment and is charged accordingly; or should it be a launch used by a railroad transportation official to expedite movement from point to point for railroad inspection purposes, the expense is charged to "Superintendence" and not to this account.

In recognizing the various controlling conditions, the items of this account fall under three general heads:

1. The expense exclusive of fuel of operating the equipment which carries the traffic.
2. The expense of the fuel which drives the equipment, which is a very large single supply expense and must be watched with caution.
3. The shore expense of handling the traffic, called "Elevation and Longshore Labor," which has no relation to the length of haul, but is subject to its own peculiar conditions affecting costs.

The equipment falls into two classes: (1) the powered; (2) the non-powered, and the expense of each of these is in turn subdivided among,

- (a) "Superintendence and Manning."
- (b) "Charters."
- (c) "Incidentals."

Taking up these groupings seriatim,—the powered equipment, which may or may not also have carrying capacity, is distinct from the non-powered because its machinery calls for more expense in wages, more elaborate organization and inci-

dentials, and because its heavier first cost and maintenance compel better dispatchment or even constant movement, as in the case of tugs. The equipment of this class is ferryboats, steamboats, power launches, steam lighters and tugboats.

The non-powered equipment, which has carrying capacity only, is of much cheaper construction, and its dispatchment is comparatively slow, much of its time being consumed in receiving and discharging. Its expense of operation is correspondingly cheaper per month. Boats of this class are barges, car floats, canal boats and lighters.

Equipment without power is charged primarily with the labor expense of "Manning and Supervision," and a proportion of the administrative expense of the marine service.

The peculiar character of the operation gives rise to another subhead, namely, "Charters." As an expense for both hire of boat and service of crew, "Charters" overlaps the expense for similar service when performed by the company's own boats and crews. With charters go payments for lighterage. Together, these constitute the cost of handling business in excess of the railroad's capacity to handle with its own equipment.

In addition to the usual items, constituting the incidental expenses, are included inspection and certain risks of operation, such as indemnity for damage done to vessels or wharves, raising sunken boats, or removing cars or car trucks lost overboard, or transferring cargo in case of accident. The nature of the operation also introduces such expenses as wharfage, payment of custom-house dues and license fees.

The expense of the powered equipment is divided in the same three general classifications of, "Wages," "Charters" and "Incidentals," as are used in case of the equipment without power. To the expense of manning steamboats and tugboats and their supervision is added the wages expense of the employees on land who handle the passenger service to and from the marine equipment, such as ferry station master, ferry agents,

ticket sellers, collectors, gatemen, and the incidental expense of premiums of the bonded employees. With these also go the wages of the men who clean the boats, together with the storekeepers who issue the supplies.

The incidental expenses of the powered boats include, with the usual supplies and small tools, the expense due to accident, such as transferring passengers, raising sunken boats or indemnification for damages to vessels or wharves. (Like expense when incidental to rail operation would be a charge, respectively, to "Train Supplies and Expenses," "Clearing Wrecks," and "Damage to Property.") With these items are also included the expense of inspecting for safety, which is an incident of operation. "Incidentals" furthermore includes items of a character special to marine service, such as custom house or license fees.

Fuel for power boats is set out in an item by itself, and it includes with the invoice cost, the expense delivered on board the boat.

Shore expense of handling freight is elevation and longshore labor. This item includes all the expense incidental to the loading and discharging of cargoes, loading and unloading of floats, chargeable to the main account, "Operating Floating Equipment."

Where such work is performed at a railroad station, such part only of station supplies and expenses is charged to this account as is exclusively for the use of the floating equipment service.

96. Express Service. The hauling of very high class goods (generally in small parcels), in passenger trains, at a rate higher than the freight rate, which includes free collection from consignor and free delivery to door of consignee, is designated express service, in distinction from the hauling of goods of all kinds, and generally in large bulk, in trains not passenger, and at freight rates, which cover only delivery at station. The

express service is generally conducted by a separate company which performs all the terminal work, provides a "messenger" attendant in transit, assesses and collects the revenue and settles on some contract basis with the railroad which furnishes the car, the track and the movement. Or, the railroad company may conduct its own express business directly. In either case, the revenue enjoyed by the railroad is derived from the use of its general facilities, and is therefore a regular railroad revenue. So far as the company is at any expense in addition to that of its regular service, the cost is carried to the separate account "Express Service." Should the railroad devote a considerable plant to the express business and have a regular organization to conduct it, the business would be an Outside Operation.

The account is subdivided into:

- (a) Drivers and Messengers, including their fidelity bonds, uniforms and badges.
- (b) Horses and their upkeep of feed, shoeing, stabling (including stable rent), and replacing.
- (c) Maintenance of equipment of wagons, harnesses and automobiles.

97. Stationery and Printing. An inseparable feature of all train work on a large scale is a system of records and recorded communications. These are the facilities through which those vested with authority in the organization make this authority effective, with certainty and precision, beyond the range of immediate personal contact. The staff, through the several gradations, perform the function of administration by assembling the facts of current operation that serve as the basis on which those in authority issue their orders, and by recording and delivering those orders. To make these records and recorded communications, a class of supplies and desk facilities is required which are generally designated "Stationery and Printing."

The supplies and articles embraced in this designation pri-

marily were limited to actual stationery and printing, together with such necessary incidental articles as pens, inks, pencils and erasers, which were distinguished from the more permanent facilities for office work and convenience called furniture, such as desks, chairs and tables. With the development of office appliances the pen has been largely superseded by the typewriter, the calculating table, by the calculating machine, the process of hand copying, by machines for mechanical duplication. The first notion of stationery and printing has been extended to include these appliances, which really have ceased to have the character of supplies, but are sometimes even more permanent and expensive than the class of articles known as furniture. For illustration we have the typewriter, the adding machine and the cyclostyle classed with pens, inkstands and erasers. The line between furniture and supplies of this character is at the last drawn arbitrarily. Thus, for instance, the multigraph would be classified as "Stationery and Printing," while the printing press would be counted as furniture. The letterpress is "Stationery and Printing," but the stand on which it rests is furniture. With writing paper, is included wrapping paper and twine (twine used at stations is charged to "Station Supplies" and on floating equipment to "Operating Floating Equipment"). With the stationery is "charged out" all fixed and incidental expenses of a stationer and staff. To "Stationery and Printing" is charged all the stationery and printing used in transportation (except that for claim agents or adjusters which is apportioned to the accounts among which their salaries are apportioned and except also that for the Industrial and Immigration Bureaus), whether for the purposes of the superintendent's office, the yardmaster's records, for way billing freight, or operating floating equipment. Much stationery is used in interdepartmental communications, and for this the rule would seem to be that the department making the communication bears the expense, unless it be an irregular report at the special

instance of another department, in which case the department requiring the report would furnish the blank.

Dictionaries, periodicals and technical works, which generally are not for the use of the staff as a whole, are charged to "Superintendence," and not to "Stationery and Printing."

"Stationery and Printing" may be apportioned to each month on the basis of an annual schedule (Case 155).

Comment: This account violates the first principle of classifying by the use served. It has as little significance as an itemization of a personal expense account to show what proportion of the whole was disbursed in dimes.

98. Other Expenses. This account is to provide for those irregular charges that are not contemplated in the regular course of operations. The expense for meals furnished transportation employees at time of strike would be an illustration. (But the premiums paid employees for loyal service at such times would be charged to the service on which employed.—Case 202.)

In the performance of transportation many defaults of employees occur, which result in money losses to the shipper or passenger. The great body of such cases is provided for in the special accounts, "Loss and Damage"—freight and baggage—"Injuries to Persons." But there still remains a large class of losses due to such defaults as misrouting freight (Cases 276, 511, 512), misrouting a passenger (Case 615), failure to stop a train to pick up a passenger (Case 79), losses of funds regularly entrusted with the station agent for custom dues (Case 342), delayed delivery of freight resulting in reciprocal demurrage (Case 77), faulty movement resulting in unnecessary demurrage paid to foreign lines (Case 344).

There is still another class of losses due to the default of the employees, but the consequence of which falls directly upon the carrier. These are the erroneous issue of bills of lading

(Case 612), fines for erroneous delivery of bonded freight (Case 343).

Then there is the loss by uncollectible undercharges of foreign roads' revenue proportion, and of charges other than revenue (Cases 213 and 276). In case the uncollectible amount is revenue of the road where the loss occurs, the disposition of the expense has been variously made according to the circumstances. When the freight was earned but the goods were delivered improperly to an insolvent consignee the charge was to this account (Case 614), when the freight was earned but the goods had been delivered in violation of the rule of cash payment, to a consignee who failed the next day Transportation Expense had to bear the expense under this account (Case 608). However, when the bills have accrued in the course of business presumably under an "authorized credit" and the debtor has become insolvent after a lapse of time, the bills may be charged off to Profit and Loss (Cases 588, 589). When the freight was earned so far as the actual haul being made, but the haul was over the wrong route or to the wrong destination, the refund to the consignee is a deduction from revenue (Case 319). When the undercharge auditor's correction was too late to intercept the goods before delivery and consignee refused to pay the undercharge due, it must be deducted from freight revenue and not charged to this account (Case 276).

There is another class of expense which is of an irregular character; it is not due to the default of employees nor is it a deduction from revenue. Illustrations of this would be switching charges paid on passenger equipment borrowed from a connection for temporary use in revenue service, or charges for switching out bad order freight cars at junction points (Case 206), or switching charges on cars when such switching is not directly in connection with loaded movement (Cases 218, 461), or deficits made up under a guaranteed service contract (Case 580).

There are penalties and fines such as that for violation of the 28 hour stock law which cannot well be charged anywhere else than here (Case 623). But fines for blocking a street crossing are charged to "Damage to Property," and for default in mail service are deductions from mail revenue, and for faulty condition of freight cars are charged to the "Other Expenses" account of M. of E. (Case 337.)

Finally there are miscellaneous small losses and thefts of station agents' and conductors' collections which come under the "all other" character for which this account provides (Cases 342, 400, 453).

Loss, Damage and Injury. Risk of accident is a universal incident in all railroad work. Losses by accident are assumed like any other cost of operation and are charged to expenses as they occur. Obviously, each department must bear its own losses which arise out of its own negligence. But in apportioning these losses to the several departments it becomes at times a nice question where the burden of the loss must fall when one department is the cause and another bears the consequences, and again, where the loss falls on persons or property outside of the railroad altogether. In general (except as modified in the case of personal injuries) the principle seems to be defined that each department undertakes all the hazards that fall to it regardless which department may be at fault. Thus, in case a train is derailed the department maintaining the track bears the expense of restoring it after the accident; the Maintenance of Equipment Department bears the expense of repairing the engines and cars, although the Transportation Department may have been the one at fault.

This general principle, that each department must bear its own hazard of all kinds, applies absolutely to property damage and losses. The principle applies only in part in matters of personal injury. If the personal injury is due to the default of construction or materials of another department, such accidents

are assumed to be a part of the general hazard of the work, and the resulting losses are charged as they fall and are not carried back to the department at fault. But if the accident is due to the direct, overt act of another department, the department at fault would bear the burden of making the compensation,—as for instance, the expense of an accident due to a hammer dropped by a carpenter repairing a building and injuring a shop employee would naturally be charged to the department employing the carpenter, and not to the department of the employee injured. Or, in the case of a M. of W. and S. employee injured by a switch engine or meeting with accident while riding on a train in charge of the Transportation Department, the Transportation Department would be assessed the expense of the compensatory damages (Case 164).

The third class of accidents to which we have referred above is those which fall upon persons or property that do not belong to the railroad organization or plant, but for which reparation must be made by the railroad. The persons affected fall into three groups:

- (a) Patrons of the road, either passengers or shippers.
- (b) Abutting property owners.
- (c) The general public, either as trespassers or at highway crossings.

For the compensatory damages to all these, the rule would seem to be that the Transportation Department bears the burden. In case of revenue train movements the rule would seem to be obvious, but in case of damages due to defective construction by either of the other two departments, it may be explained upon the theory that the Transportation Department has charge of operations, and therefore is the only one having direct relations with the public. Thus, for instance, flood damage to crops due to defective construction in the form of insufficient drainage is the fault of the Department of M. of W. and S., but it is

charged to the "Damage to Property" account of the Transportation Department (Cases 38, 317, 392). Or again, compensation for damage to a locomotive due to defective track of another company is charged to the same account regardless of the fact that the fault lies with another department of the delinquent company (Case 397).

But in case the accident is the result of an overt act which is easily identified it would appear that exception is made to the general rule, and the compensatory damages are charged directly to the department at fault (Case 165).

In case of Additions and Betterments or Construction, the charges are made to the Additions and Betterments and Construction accounts, and not to the regular expense accounts.

In addition to the accidents that result in direct losses there is a very considerable body of expense which the railroads must bear to make good the secondary consequences of irregularities which are not in themselves accidents, and the effects of which may not be realized on the railroad itself in the actual performance of its service. A case in point is the damage by loss of markets through excessive delays, or compensation for the mental anguish of the bridegroom by delayed arrival at his intended wedding.

With the direct expense of the accident are included all incidental expenses of effecting settlement, such as expense of the staff of claim adjusters, also all expense of extraordinary precautions against loss, such as detectives to ferret out and reduce theft, or court expenses to resist claims for alleged losses, or witness fees and expenses at coroners' inquests or for attending court in damage cases. But the actual legal expense is cared for by the Legal Department because this is a fixed part of the service devoted to legal work for all departments of the service.

When a railroad provides for its personal injuries expense

by an insurance fund it charges the monthly premiums to "Insurance," and in this way "Injuries to Persons" escapes its burden.

99. Loss and Damage—Freight. Loss and damage are the consequence of irregularities in service, which are computed in money. These irregularities may occasion loss or damage of the physical thing transported, or they may result in secondary consequences of money loss, as by failure to deliver on time, or refunds to antecedent carriers of freight earned and uncollectible on the loss of the goods. The loss of the physical thing may be complete loss of a consignment, or any one parcel specified in the bill of lading, or loss of part of the specified parcel, which is called a concealed loss. Damage would be of every kind which would affect value.

Freight whose loss and damage expense is provided for here would seem to embrace all articles (except baggage) which the railroad undertakes to carry, whether under the general freight tariff, the mail contract, the express contract, or free, as company freight. Company freight is included because it is committed to the Transportation Department for transport under the same conditions as commercial freight except that no revenue is collected (Case 8). The transportation department undertakes all risks of performing transportation service, therefore it is immaterial where or how the loss or damage occurs, if the railroad is responsible, and if the shipment was committed for transportation, the Transportation Department pays for the losses.

With the money paid in actual settlement for the goods lost or damaged or for refund of back charges on freight lost in transit (Case 279), less any recoveries by insurance or salvage, goes all the expense of the settlement, such as notarial fees (Case 607), whether by adjustment, or through the court. Any special preventive measures are for account of the class of losses they are designed to reduce. Thus detective expense to locate

and stop loss by theft (Case 298), or expense of repacking or repairing or selling damaged freight, is a part of the loss and damage freight account. The staff of adjusters or detectives who do the work is charged to this account bodily, together with all their office and incidental expenses of witness fees and awarded damages of legal expense and court costs. But the actual legal service is performed by a fixed staff which serves all departments of the road, and such expense is therefore charged to "Legal Expense" and not to this account, and the clerks of the freight claim office are charged to general office clerks and attendants.

Bad debts for freight earned and back charges paid connections which must periodically be charged off, are not charges to this account but to Profit and Loss (Case 588).

This account is naturally a very irregular item of the expenses and it is therefore permitted to make the monthly charge on the basis of an estimated annual schedule (Case 155).

100. Loss and Damage—Baggage. Transportation of passengers includes the transportation of their baggage. The losses by accident which arise from injury to the persons of passengers,* together with the losses from injury to all other persons by the Transportation Department are included in "Injuries to Persons" account. But all other irregularities in the service of handling passengers and their baggage which run into money consequences (except failure to stop for a passenger on signal, or damage to clothing worn in an accident), are charged to this account. Therefore damage to trunks or to clothing worn (not in case of "accident") is provided for here in the same way as the actual baggage. When in cases of injuries a separate claim is made for clothing it should be charged to this account when paid (Case 386).

* If, as by rare chance may happen, the passenger is injured by the overt act of a department other than the Transportation Department, the settlement of damages would be charged to the Injuries to Persons Account of the department at fault and not to this account (Case 165).

With the settlement of claims for lost and damaged baggage, whether directly or through court, are included all cost of effecting the settlement, resisting unjust claims and reducing loss by restoring damaged baggage, or selling salvage, such as special detective expense, notarial fees, etc.

The expense of any staff regularly performing this work presumably would be charged to this account, either in whole or in part as its time was employed. But the law staff serves the road as a whole and its salary and office expense is charged as to "Law Expenses" and not to this account.

101. Damage to Property. Damage to a railroad's own property is an incident of using the property, analogous to wear and tear, and is therefore borne by the regular accounts which provide for such wear and tear. Losses and damage to property, entrusted for transportation, are provided for in the two foregoing accounts. But there is another large group of loss and damage which affects property not belonging to the railroad and not entrusted for transport. This is property of abutting property holders or of other railroads having trackage rights along the roadway, or of the public having crossing rights. This class may include every kind of property except live stock. Live stock damage being a very large and peculiar item of expense to railroads, especially in thinly populated territory, is set out to a class (next below) by itself. With actual physical damage is included financial loss such as loss by interruption of water traffic at drawbridges, or penalties for interrupting street traffic at street crossings.

The irregularity which results in damage to property may be in the train or yard movements on the property of the company, by fires arising from sparks, by collision or derailment (Case 471); or it may be by faulty construction of roadway (Case 399), culverts (Case 392), bridges or other structures (Cases 38, 317), resulting in damage to crops by overflow and like losses. The latter class of losses is the fault of another depart-

ment, but the Transportation Department accepts the facilities it uses as being up to standard, and, as the operating department, bears the consequences of their defects.

This physical damage embraced in this account would include all causes, whether water, fire, smoke, collision, noise, or general depreciation. If accident on the track of one railroad results in damage to the roadway or structure of another railroad, as when the two roads parallel or cross each other, the second railroad is treated like any other abutting property owner; the compensation paid for its property damage is charged to this account (Case 471).

The expense of settling for damages classifies with the actual payments for damages; so also an expense to reduce the losses by using detectives to locate miscreants (See case 298), or determine facts, or cost of resisting doubtful claims in court (except legal expense), is charged to this account. Plaintiff's legal expenses when included in a judgment against the road are part of the damage payment.

Any salaries or office expense incurred in this work of settling or fighting these claims (except law expense) is charged to this account entire, or divided equally among the several claim accounts over which they have jurisdiction.

102. Damage to Stock on Right of Way. All damage accounts arise from irregularity of some kind in the service, or faulty construction, or from the deliberate assumption of a class of risks depending on the cooperation of the public, which risks the road is forced to take. In the very early days, railroads had little right of way fencing, and operation was endangered by trespassing live stock. With the building of the ordinary fences and cattle guards at road crossings, the evil was reduced, but it never can be entirely eliminated. Because it is so large a class of expense and referable to special conditions it is separated from all other property damages.

The accidents from which these losses occur are mainly due

to moving trains in revenue service. But those caused by a train in non revenue service are also included, and also those arising from defects in the roadway construction for which the Transportation Department which bears the expense of the loss is not responsible (Case 396).

With the payments of claims, go all incidental expenses of effecting the settlement, the pay and expense of stock claim agents ("cow coroners"), expense of witnesses at court (including wages, less witness fees, when the witnesses are employees). If any staff is regularly assigned to the settlement of various claim accounts, their expense is charged equally to the accounts over which they have jurisdiction.

The repairing of incidental damage to fences or the rerailing of locomotives, or the repairs of equipment when caused by collision with trespassing cattle is each treated as an incident of operation and charged to the respective operating or maintenance accounts, but the disposal of the dead live stock, is not by the same rule charged to M. of W. and S., but it is charged arbitrarily to this account. A possible reason for such exception may lie in the fact that disposal of the carcass is sometimes an incident in the settlement of the loss.

It may be pressing the distinction arbitrarily, but a horse killed in harness, theoretically should not be charged to this account but to "Damage to Property."

103. Injuries to Persons. The theory is that the transportation of passengers and of freight with all of its incidental processes shall be conducted by the railroad in absolute safety to life and limb of passengers, employees, and others. The default from such standard in the course of actual practice must therefore be made good by money compensation. This compensation is based on the character of the injury, modified by considerations of the earning power of the person injured. Each general department of the railroad's operation bears its own risk of injury to its employees, while on duty. This conforms with the

latter day idea that all incidental risks must be absorbed into the cost of the work done. In the same way each department maintains its property against wear and any damage it may itself accidentally inflict.

When, as is the case on railroads, a property is maintained by one department and used by another, the department responsible for upkeep against wear is also responsible for restoration after damage by the other department. That is, each department must assume all the risks of the business from every source, so far as the maintenance of its property is concerned. But in the maintenance of its staff by compensation against injury, the rule seems to be that while each department assumes *all* the risks from *its own* negligence and the risks from other departments due to *defective material*, the *personal injury* consequences of *overt acts* of negligence, are charged back to the department at fault. To illustrate the foregoing: The compensation for the death of a M. of W. and S. employee injured through the carelessness of a fellow employee of the same department would be chargeable to the "Injuries to Persons" account of the department to which they both belonged. But if a M. of W. and S. employee were injured while repairing a shop building through the negligence of a M. of E. employee handling a shop crane, the compensatory damages would be chargeable to the M. of E. Department. Thus the damage settlement with a track man injured by a revenue train is chargeable to the Transportation Department which ran the train.

When the person injured is a passenger, the Transportation Department, as his guardian, bears the expense when the accident is caused by defective material, as a broken rail; and the department at fault bears the expense when the accident is caused by a direct overt act of negligence; e.g. when a work train kills a passenger at a station the charge is to M. of W. and S.—"Injuries to Persons" * (Case 165).

* See page 180, general discussion of loss and injury accounts.

Pressing the analysis a stage further, when the party injured is not an employee and is not a passenger, he is still under the guardianship of the Transportation Department, whether injured when within his rights at a public crossing, or as a trespasser. In either case the Transportation Department, because it is in immediate operating charge of the property, would seem to be responsible when the accident is due to defects of material, while as before the department committing the overt act of negligence would bear the expense of accidents directly arising from such acts. There is a ruling (Case 304) that injury sustained by one of the public on a defective highway within location lines, should be charged to M. of W. and S. If in this case the highway was not in process of rebuilding but had simply been neglected, the ruling sharply conflicts with the principle laid down in "Damage to Property," that damage to crops by reason of defective roadway drainage is borne by the Transportation Department, which is in immediate operating charge of the property (Cases 38, 317 and 392).

The theory of responsibilities of this kind being assigned to the several departments according to their direct culpable acts, is not much of a factor in practice, so far as the public is concerned, because the transportation is primarily performed by the Transportation Department only.

Personal injury is generally a physical injury, but legal subtlety has extended it to embrace a lot of secondary consequences (Case 78). From nervous shocks, it is an easy stage to personal inconvenience and wounded dignity. Passengers ejected from a train are an illustration. A young lady was kissed by a gallant conductor on a southern railroad train and the railroad paid several hundred dollars forfeit which was charged to this account. A young man on the way to his wedding missed connections on a through ticket and he suffered such "great mental pain and anguish" that the railroad was compelled to solace him with a thousand dollars, which could only be described as a

sonal injury expense.* With the actual payment is included the expense of effecting settlement, whether amicably or through the courts, including pay and expenses of employees attending coroner's inquest (Case 34). Salary and expenses of adjusters are of this class, as also wages of other employees when attending court or investigations, rent and other office expenses, including "Stationery and Printing" (Cases 35, 532). Legal expenses (except when an item in the plaintiff's costs adjudged against the defendant) are not of this class because there is a regular legal staff on the railroad which serves all departments as needed and whose expense is charged to legal expense.

Medical and hospital service is of the nature of preventive measures to avoid when possible more serious injuries or fatalities with the consequent heavier damages. For this reason salaries of a fixed medical and surgical staff, with their supplies, or contributions to hospitals, are charged to this account. All emergency expense of carriages and attendants to care for injured are of the same class.

The railroad is frequently required to provide funeral expenses for victims of accident, and such expense is distinctly an "Injuries to Persons" charge. Where any fixed expenses are involved which serve several claims accounts the amount unassignable must be evenly divided among the accounts served, except that hospital subscriptions are divided one quarter each to Maintenance of Way and Structures, and Maintenance of Equipment, and one half to Transportation Expense—this account.

In case the railroad carries an insurance policy against this form of liability, the monthly accruals of insurance premium, charged to "Insurance" take the place of the "Injuries to Per-

* The line between "Injuries to Persons" and "Other Expenses" is not easy to draw at this point. "If award of damages is based upon a property loss," the charge is "Other Expenses;" "if because of personal injuries sustained, to 'Injuries to Persons.'" (Case 79.)

sons" account (Case 526). This practice is indefensible. It is a classification by the form of the payment instead of the use of the payment.

"Injuries to Persons" being a most irregular account it is permissible to make the monthly charge arbitrarily on the basis of an annual schedule (Case 155).

In case of accidents involving both injuries to persons and loss or damage of clothing each must be charged to its appropriate account; but if the separation is not possible the entire amount of the settlement is charged to "Injuries to Persons" (Case 386).

104, 105. Operating Joint Tracks and Facilities—Dr., Cr. To avoid duplication of construction and maintenance, it frequently happens that a road will admit a connecting road to a section of its line to be manned and operated by one of the roads for the joint account of both. The joint service at yards and terminals has already been provided for separately in order to preserve the distinction between line of road and terminal expense. (Cases 275, 492). This account of joint tracks and facilities covers the running right and facilities between terminals. In order to preserve the relation between the items of expenses and the operating units, the detail is not disturbed, but the offsetting account, "Operating Joint Tracks and Facilities," is set up, through which the road disbursing the moneys, credits its transportation expenses *en bloc*, by the amount of the bill rendered. The other road in turn takes up the debt passed under a similar heading on the debit side, and thus does not disturb its detail accounts. Where a road pays trackage in a single flat rate per car or per train, such amount is necessarily composed of allowance for manning towers, maintenance and interest on plant, and it must be divided accordingly to the proper joint track and facilities account (Cases 117, 120, 121).

This account implies the permanent, joint use of the facilities (Cases 74, 535). When one railroad delivers its train and crew

to the rails of connecting road, and from this point surrenders its revenue, billing the other road for crew and train expense, there is not a case of joint tracks and facilities. It has been ruled, however, that a single joint interlocker station at the crossing of the lines of two railroads constitutes a case of joint tracks and facilities (Case 283).

Joint facilities accounts can only be used when there is a plant of some kind used in common:—for the present a joint staff without plant does not constitute “joint facilities.” It does however include the wages expense when in connection with a plant in joint use.

“Joint facilities” contemplates some *permanent* joint arrangement (Cases 74, 497)—six months alternation is considered “permanent.”

Joint facilities can only be used when the other railroad is a common carrier (Case 495).

In marking the distinction between “joint tracks” and “joint yards and terminals”—it has been ruled that mileage (up to 2.45 miles in case cited) used as part of a union station facilities falls under “joint yards and terminals” (Case 492).

CHAPTER VI

GENERAL EXPENSES

The several specific functions of the operating railroad, which are the getting of traffic, the handling of traffic, and the maintenance of the roadway and the equipment by which the traffic is handled, are each assigned to the responsibility of a separate department. These several departments are brought together in the general office in the official person of the president, who reports to the Board of Directors. Here in the general office, financial policies are worked out, and departmental policies adjusted to conform. Here the capital is invested and the dividends are distributed. Here is the corporate machinery by which the company affirms its acts in the form of official records, and affixes the corporate seal; here is the custody of the treasury funds; here is the legal organization that assures the legal form to the corporate undertaking, and protects the property and various interests of the corporation. Here are accounted all funds received, and here disbursements are apportioned in conformity with the instructions of the Board of Directors, whereby general policies are made effective. To these usual functions of the general office are sometimes added "law and tax commissioners," and special expert staff assignments which under various conditions may be necessary.

The classification of expenses of the general office provides for the salaries of the officers and their staff, with their expenses and stationery and printing. Two classes of service are drawn out of the general office and their wages and expenses are set up as separate accounts under the headings respectively of "Law Expenses" and "Relief Department Expenses."

With the expenses of the general office are also charged as general expense the disbursements for pensions and insurance, because these are for account of the property as a whole.

106. Salaries and Expenses — General Officers. The position of chairman of the Board of Directors is sometimes established as a definite office with a salary, and the chairman together with the secretary are classed as general officers, and their salaries charged to this account.

Directors only give their services to attend the Board meetings, for which they are paid in fees that are charged to "Other Expenses" in the group of "General Expenses." Because they do not give their full time, they are not, strictly speaking, officials, but the chairman who is paid a salary and gives a definite part of his time in active work is considered an officer.

The chairman of the Board and the secretary are directly concerned with the affairs of the Board of Directors. The president, ex officio, is a member of the Board of Directors. He is the connecting link, and in most cases the only connecting link, between the Board of Directors which legislates on general financial policies, and the organization which executes them. Viewed broadly, the other general officers may be considered as quasi staff officers on the staff of the president having custody of the funds and of the accounts, the freight claims, the real estate and the taxes.

The titles of the officers performing these and other functions, whose salaries are charged to this account, are vice president, treasurer, comptroller, general auditor, auditor, registrar or transfer agent, freight claim agent, real estate agent, tax commissioner. With each officer is classed the assistant officer of the same title, and also the officer of the title of "assistant to" the officers named above. When a road is in the hands of a court, the receiver is a general officer and his fees and salary are charged to this account. To these are added "All other General Officers not otherwise provided for."

In the quasi staff character of their functions, these officers are practically a part of the president's office and together sustain a common, general relation to the Traffic, Transportation, and M. of W. and S. and M. of E. departments.

Wide differences in the organization of different railroads force this classification to the basis of the uses served rather than the titles in force. Thus a president who has *direct* charge of one or more departments is classified as a departmental officer (Case 82). If the service of a general officer is performed by an officer of another company on the basis of a charge of a certain per cent of his salary, such charge is carried to this account (Case 255).

The pay and expenses of the officials who purchase and disburse supplies are not charged to this account, but are added as a burden to the invoice cost of the supplies, which they handle. These officers do serve the road as a whole in the same way as general officers, but the device of adding their expenses to the cost of the supplies makes it possible to charge out each month the cost of their services at the points where such services apply. This is not possible with general officers.

This account is divided into salaries and expenses. Under the former caption is charged the pay, whether by salary or fee, of the officers who perform the functions described above. Under expenses are included all personal expenses paid by the company for account of the officers named above, and the supplies and cost of running their special cars or trains. Membership fees of general officers in railroad and other associations, classify here.

107. Salaries and Expenses of Clerks and Attendants. The pay of the staffs of the general officers is charged to this account. They are a more numerous body and constitute a more flexible expense; hence the distinction. The line between the general officers charged to "Salaries and Expenses of General Officers" and their staff charged to this account, is drawn arbitrarily. The local treasurer, the assistant treasurer, and the assistant

auditor, are "general officers"; the cashier, the paymaster, the chief accountant, the traveling auditor, are "clerks and attendants."

This account is itself divided into "Clerks" and "Attendants," and the distinction here too, is at the last arbitrary. For instance, the postman and mail clerks in the general office are of the former class, while the superintendent of the general office building, the bank messengers, messenger telephone operator, and usher are classed with the drivers, stablemen, janitors, cleaners and porters.

"Expenses," which is the third caption of this account, includes traveling and other expenses, supplies for special cars while in the use of the above staff, and expense of special trains run for them.

108 General Office Supplies and Expenses. The salaries and wages expense, together with the incidental personal expenses of the officials and staff, who occupy and man the general office building, have been provided for in the two accounts next preceding. There remains the running expense, except wages, incidental to the housing of, caring for, and furnishing miscellaneous conveniences for the body of men and officials constituting the general office. Such supplies and expenses are:—the rent and repairs of rented general office buildings and fixtures, the alteration of partitions and fixtures, furniture, heating, lighting and cleaning supplies, messenger wagon facilities and the use of public service for telephone, telegraph, cabling and express.

Atlases, directories and like reference books for general office use, together with newspapers and periodicals, are an item of general office expense, classified separately from the stationery, which has an expense head for itself. Premiums on fidelity bonds for general office employees are a general office expense as distinguished from memberships in associations held by officials, which are charged to expense of general officers. The first cost

of automobiles, wagons or furniture (if less than \$200) for the use of the general office (Case 518), is, like any subsequent renewal, charged to this account as a supplies expense, probably upon the theory that most of the items thus charged are actually supplies.

When the general office building is occupied by departmental office staffs, the office rent and expenses should be equitably apportioned among them (Case 534).

109. Law Expenses. Every large railroad maintains a legal staff to assure the legality and legal form of its acts, to give counsel as to its legal rights and obligations, to enforce its contracts, and to protect its property and rights under attack. The general oversight of this legal staff extends from the minutest act of the railroad in its dealings with its patrons, its employees and the holders of its stock and securities, up to its general corporate policies. It visés the form of bill of lading, under which the carrier undertakes the function of bailee, for transportation, it indicates the method of handling garnishments on employees wages; it defines the legal limits in issuing new securities and consolidating railroad properties. At every point of the operations it gives its counsel in matters of contractual relations, expressed or implied, specific or general. When rights are invaded it takes direct charge of the litigation. A very large part of its duty is to effect settlement of disputes outside of court. The men who settle disputes, whether in or out of court, whether regular staff, special counsel (Case, 287, 617), or arbitrators, together with their law books, the printing of their briefs, legal forms, testimony and reports, perform essentially the same function, and therefore their expenses are charged to one account.

A very large part of the controversies which are a matter of delicate negotiation and sometimes lead to litigation, is that arising from loss and damage of freight and property, and from personal injuries. These cases constitute so regular and large a

group, and are so nearly similar, that they result in specialization with regular staffs to handle them. For these reasons they bear their own burden of all expenses incidental to arbitration, litigation and final settlement, except the actual salaries, fees and retainers for legal service. But the notarial fees in the handling of overcharge claims is "Law Expenses" (Case 607).

While "Law Expenses" refers to a department and embraces all of its salaried and legal and office expenses, including office rent (Case 345) and the printing of briefs, legal forms, etc., yet it is so far consolidated with the other departments embraced in general expenses that its stationery and printing of a general character is included with that of the other departments in that group of expense under the item "General Expenses—Stationery and Printing."

110. Insurance. All property in use, or committed to the charge of the carrier, is at all times exposed to risk of sudden damage and partial or entire destruction by fire or other extraordinary cause. This damage and destruction of property by accident is distinguished from the deterioration by wear, although both are equally an incident of use. But the losses by accident are irregular, and fall heavily in individual instances, while wear is more or less constant. In order to save the operations from the disturbing effects of such erratic factors, it is the practice in every well organized business to reduce the experience of accidents of different character to an average, and apportion the estimated annual expense of this character on the basis of a regular periodical charge. Such a charge is insurance. It is merely an arbitrarily estimated average of an irregular expense related to certain forms of happenings called accidents. It matters naught whether this charge is made for account of a fund created by the railroad to care for its own insurance, or whether it represents an actual cost payment of premiums to a regular insurance company. The charge is the same. But a reinsurance expense is the expense which the railroad is put to

when prudence dictates that risks originally carried by the railroad company shall be transferred to a company covering wider range of risks. Such reinsurance expense is charged to the insurance fund which should have been created upon a scale liberal enough to provide for all of the risks assumed. For the same reason it is not charged to the "Insurance Expense" account, the latter being a current monthly average charge. And in the same way amounts recovered for damage to reinsured property constitute an irregular credit which must be absorbed by the insurance fund, and not applied as a credit to the monthly insurance expense account (Case 31).

Because insurance is an average, it becomes somewhat of the nature of a fixed charge, regulated largely by the safety factor which may be used. It may be based upon experience growing out of groups of conditions in which departmental lines have been ignored, and specific local conditions embraced in general categories. For all of these reasons it is apparently held to be not closely related to the current expense of each department insured, and therefore is considered a General Expense item.

Roads are permitted to carry their own insurance both against property loss and injuries to employees (Case 419). To the extent that the "Injuries to Persons" expense may be taken care of by relief department expense or by an insurance premium (Cases 419, 526) there is no charge to "Injuries to Persons."

Comment: To the extent that actual charges for different purposes may be superseded by a single account called "Insurance" that has no characteristic except that it is an *average* charge, the principle of classification is violated.

This violation of right principle is well exhibited when the insurance of store stock is charged to "Insurance" (Case 181). All other overhead expenses of supervision and like charges are carried over to the material issued, so that the identity of values may be traced to their uses, but the insurance expense is set up in arbitrary isolation from any use or purpose.

111. Relief Department Expenses. The disability through accident and through sickness of railroad men working in so great a body and under such hazard early rendered desirable some methodical provisions for the financial suffering involved outside that covered by the legal liability of the railroad. It was the part of business to substitute for an uncertain charity a reliable and definite financial arrangement to meet these contingencies.

Whether the insurance fund for these payments was made by the men alone, or by the men and the company together, an office for the collection and distribution of the fund was naturally maintained by the railroad company. Any contributions made by the company would fall into the same class of expense. To provide for such expense this account has been set up.

Since the several "Injuries to Persons" accounts include only the payments for which the carrier is legally liable, there must remain a large disbursement for relief, account of accidents for which the railroad is not legally liable, and of sick benefits for which the "Injuries to Persons" accounts do not provide. If by contribution to this fund a carrier is released from expenses for accidents to employees for which it would otherwise be liable, no distribution under "Injuries to Persons" is required (Case 419).

112. Pensions. The principle of depreciation that anticipates the non-serviceability of machinery and plant, or the principle of insurance that averages the recurrence of extraordinary factors that destroy or impair efficiency of the property, are principles that are found to have equal application as a matter of business prudence among the working force. The theory here, as in depreciation and insurance, is to make the efficiency of the current instant pay its toll of the expense that shall affect the processes that are hidden or unforeseen, but known by experience to be invariably present, registering their final effect in the incapacity of superannuation, or disability by specific accident.

The regular monthly charge expense that performs this function is distinct from the insurance of property, because it may at times incorporate other factors than those of severe business prudence, since it deals with men and not with things.

With the actual charge, is included all the salaries and expenses, including stationery and printing, incidental to the operation of the department in charge, because this is a special function of the railroad, and furthermore is not yet in general practice.

The theory of an expense charge is that it shall not only cover the direct cost of the earnings which it offsets, but that it shall also maintain the equilibrium of the plant against the processes of deterioration and accident. Upon the further theory that the earnings of any one year must be offset sometime during that year by the expense incurred to produce those earnings, the insurance and depreciation charges for the year should closely approximate the actual risk and deterioration of the year. When the policy is extended to provide for the same factors among the working force, however, there is no arrangement of a pension fund accumulated out of a fixed charge to expenses. No charges (save incidental expenses) may be made to this account other than the actual payment of pensions. In case the railroad contributes \$30,000 to its pension fund in one year, while the actual payments drawn on the pension fund are only \$10,000 for the same year, the excess of \$20,000 above the current disbursements is not a proper charge to expenses (Case 208).

Comment: If it is proper to offset the decline of equipment by a fixed depreciation charge, regardless when the actual renewal payment is made, or to charge "Insurance" a regular monthly premium based on the estimated loss of a given period regardless of the actual loss, we think the same principle applies to "Pensions."

113. **Stationery and Printing.** Stationery and printing is a

class of office supplies and of office facilities (not furniture), with which the staff does its work of recording, calculating, compiling and making the recorded communications between itself and other parts of the organization. This class of supplies began with the simple notion of the stationery on which the record was made, whether for file or communications, and added to it the necessary pencil, pen and ink, and the postage to carry it through the mails. To this was added further the printing which was a system of duplicating a single record on paper, and which naturally fell in the same class. These items were clearly of the nature of supplies of a special character, supplies being understood to be articles and material of current consumption, and in that way distinguished from furniture, which is charged as an office expense, but is of fairly permanent use. With the extension of office facilities, the pen and pencil have given way to the typewriter, and a great number of mechanical appliances, small and large, have been added to the office outfit to facilitate the work of the staff. As these have been added one by one, or substituted for simpler tools, because they have been devoted to the same use, they have fallen into the same class of stationery and printing, although in construction, cost, and the extended period of useful life, they have departed widely from the first nature of the supplies that constituted "stationery and printing." But while they have come to include every desk facility and adjunct, they are confined to articles of use by the office as a whole, instead of those that may be used only by specialists, as drawing instruments; or by officials, as technical papers. With the paper used for stationery has been classified also wrapping paper and twine. As illustrations of the development of the idea of stationery and printing, the account is now made to include besides, typewriters, calculating machines, duplicating machines, waste baskets, and wringers for copying presses.

The stationery and printing of the general offices and the stationery of the law offices are charged to this account. The

printing of briefs, testimony and legal forms for the legal department is charged to "Law Expenses" and not to this account. Other departments charged to general expense must pay their own bills for stationery and printing,—“Stationery and Printing” appears as a detail item under each of the five general heads. In the case of this occurrence of the account under “General Expense,” there is embraced a special class of stationery and printing incidental to the printing of the annual reports, the bonds, and the stock certificates, to which are also added passes issued from the general office.

114. Other Expenses. In addition to the irregular items for which this account provides, there are charged here such regular expenses as cost of publishing notices of stockholders’ meetings, and election of Directors, and of the publicity for corporate and financial notices of a general character. Fees and expenses paid to Directors not being a regular salaried expense, they are carried to this account, as are also contributions to funds, on account of catastrophies and epidemics, which are a contribution for the road as a whole and by which the Directors signalize their attitude in matters of public moment and common cause.

The general theory of the division of expenses called “General Expenses” is somewhat brought into profile by the rulings as to this particular account. Thus the following are chargeable to this account; donations to the fire department (Case 113), or other contribution incidental to operation but not traffic (Case 59), expense of cashing checks at bank (Case 207) or premiums for cash to pay men in the operating department (Case 346), losses by forgery in paying men (Case 347) or by error of freight claim office clerk (Case 613) or by refunding to employee wages held during suspension (Case 401) and the draping of stations along the line (Case 313).

115, 116. General Administration Joint Tracks, Yards and Terminals, Dr., and Cr. In the joint use of facilities to reduce expense, the road having the facility performs the service and

renders bill for the service and use of facilities. But in order not to disturb the relation between the cost under detail headings of expense, and the offsetting performance units, it is arranged to pass the bill between companies by this account, the creditor road crediting the full amount of the bill, and the debtor road accepting the full amount of the bill in this account.

The joint facilities are the terminals, and the tracks used jointly between terminals. In each of the general heads of account is set up a joint facilities debit and credit account, so that the expense portion of bills passing for such service are all split among the five general heads of expense, but do not reach any further detail. The general characteristic of a joint facility account, is that the other party shall also be a common carrier reporting to the Interstate Commerce Commission, that the service shall include facilities as well as employees, that it shall have some permanency, that it shall actually be used *jointly*.

This joint facility account under "General Expenses" is made to serve for handling the expense of General Office buildings in joint use and General Office organization serving two or more railroads.

CHAPTER VII

OUTSIDE OPERATIONS

Outside Operations. No service on a railroad should ever be performed that is not devoted in some way, however indirect and remote, to the production of revenue. The group of effective (revenue producing) demands which the service meets or supplies is the basis of the classification of the cost of the service because it is the first reason for this cost. The grouping of this effective demand to which the service is the supply, rests in turn, fundamentally on the general conditions surrounding the performance of this service.

The demand for transportation which is effective in a money value is in this way separated naturally from the demand for production or from the demand for marketing, or for warehousing, or for financing or other functions of commerce and industry. These demand groups differ in the class of conditions and of agencies by which they are supplied.

Out of these considerations there has come to be a group of services which together constitute railroad transportation as distinguished from all indirectly incidental or extra services, involving extra expense, which are sometimes also performed by the same agency as performs the transportation service. Performances other than this are separable and sharply distinct from the regular railroad transportation because they are not regularly found on all railroads or in the same degree; because they are paid for separately from transportation, and their addition or elimination does not affect the revenue from railroad transportation; because they are or may be in competition with other

agencies not in the railroad transportation business; and because they involve additional plant or expense which is not needed for strictly railroad transportation. For all of these reasons they classify as Outside Operations.

- Such operations are a body of either auxiliary or altogether unrelated services which constitute, as it were, the by-product of the railroad transportation service. As by-product, their cost can only be computed after all the expenses of the regular product of railroad transportation have been first deducted. Therefore it is specifically ruled that "the rail expense accounts should show the full and true cost of conducting transportation by rail, even though such disposition results in an incomplete or partial statement of the cost of conducting the outside operation. No charge should be made to outside operations if the effect of such charge would be to relieve the rail operation of an expense that would be charged against it if no outside service were operated. The pay of officers exercising jurisdiction over outside operations and the expenses of their offices, the pay of employees, and other general expenses, are chargeable to the outside operation only so far as they are occasioned by it and are in addition to the expenses of the rail operation." (See Outside Operations, p. 6.) And again: "The maintenance of facilities for transportation or other service, or distinct portion thereof, assigned exclusively to an outside operation, should devolve upon the outside operation when separable from the expense of maintaining the railway. The maintenance of facilities not so separable should be borne by the railway when employed only incidentally by the outside operation, and by the outside operation when employed only incidentally by the railway." (Outside Operations, p. 6.)

If a by-product should only be charged with the extra expense which it creates over and above the expense of the regular product, it is plain that this extra expense should be the *actual* expense, and should not include any profit. In turn, any

charge to railroad transportation by an outside operation should also be at actual cost. "Charges against the operating carrier for services or product should be at cost, and should be credited to the account entitled Other Operations—Cr., which has been introduced in operating expenses of outside operations for that purpose. Whenever a credit is made to that account, a charge of like amount should invariably be made to the appropriate operating expense account of the rail department or of some other outside operation."

To define a by-product of transportation by rail, it is first necessary to define the regular product. The official definition is as follows: "'Transportation by rail' includes the receipt, transportation, and delivery of traffic, such storage of freight as is necessary to the operation of the railway, all special facilities necessary for the handling of special classes of traffic, such as coal and ore docks, coal transfers, and facilities for the receipt and delivery of live stock, and such car ferries as are actual substitutes for bridges and tunnels. It does not include local collection and delivery (except switching), or transportation by water, except car ferries as above provided." The by-product is the performance or product in addition to this service. (See Outside Operations, p. 316 of this book.)

If the reason for an expense is the revenue which it produces or tends to produce, a service does not become a separate service from transportation by rail ("outside operation") until it produces a revenue separate from that produced by "transportation by rail" as previously defined. This revenue arises from a "specific charge" . . . "for the service or commodity furnished by the outside operation." In order to classify as an outside operation, this revenue is not necessarily equal to or in excess of the expense of the operation, but presumably it must bear some substantial relation to this expense, otherwise the extra service falls back into the regular operation of "transportation by rail," because it would not be continued unless it was neces-

sary to the production of revenue somewhere which was in excess of its cost.

Such separate revenue is clearly separate when collected from others than passengers and shippers, as for gas sold consumers, or for rent of buildings or other property (not part of the railroad proper) occupied by tenants. But for the most part, the separate revenue of these outside operations grows out of the rail transportation directly, in the nature of auxiliary services rendered at extra expense, such as carriage by water or otherwise beyond the rail terminal, or sleeping car or dining car and restaurant service. It is not necessary that this revenue be collected directly from the public,—it may be “an arbitrary, division or allowance [in a rate] intended to cover the service of the outside operation exclusively.” (See Outside Operations, p. 317 of this book.)

This separate revenue in order to be separate from rail transportation revenue, must be offset by a direct expense, or some extra plant or adaptation of plant involving substantial expense, otherwise it is not part of a separate “operation” because the basic notion of an “operation” is outgo (expense) and intake (revenue). This last requirement, that an outside operation involves a separate revenue that is *offset with its separate expense* distinguishes the outside operation from that phase of rail operations called “Operations Other Than Transportation.” To illustrate this;—Car-service revenue is derived from the use of the regular equipment of the railroad and involves no extra cost; it classifies therefore under Operations Other Than Transportation; but dining car operation, which is an outside operation, involves the use of an extra and specially designed car, an extra service of dining car superintendent, conductor, chef and waiters, and commissary supplies. Or again, the rent of buildings and other property when “such property is used in connection with operation and the expense of maintaining and operating it cannot be separated from the expense of that portion

used by the carrier ” (Operating Revenues, p. 15) is not outside operation ; but the revenue from stock yards (in addition to the legal and regular transportation stock pen requirements) is an “ outside operation ” revenue.

An outside operation naturally cannot include operations conducted under separate corporations, although the ownership through stock holdings be vested in the railroad company, because a separate corporation has its own income account.

The classification of Outside Operations provides individually for twenty-one kinds of operation. Some of these are services performed in connection with traffic en route, but the most of them are at terminals or beyond the rail terminals. They are in excess of the minimum rail transportation service, and are to facilitate the distributive process of which the rail transportation performed by the common carrier is only a part. The general plan of treatment is to set the operation out under the four heads of Revenue, offsetting Direct Expense, and General Expense and Maintenance. As these operations generally use some part of the railroad plant in addition to their own special plant, they are treated as semi-detached operations, their “ expenses ” only being segregated with their revenue, from the general accounting figures of the railroad, while their fixed charges of taxes and interest, even when separable, are incorporated with like charges of the railroad property as a whole.

CHAPTER VIII

ADDITIONS AND BETTERMENTS.

Additions and Betterments. A railroad is a property. As a property we think of it as an aggregation of land and buildings, bridges, track structures, and rolling stock. It consists of many other parts, equally essential, such as, organization, contractual rights, industrial and commercial activity of the territory served; but these are intangible, and not susceptible of specific statement and universal measure in the same way as are the physical parts of the property. Hence the property which is named in the trust deed, and which is the basis of the security issues, is stated primarily in terms of the physical phases of that property. These physical phases serve as the indices to the intangible phases of the property to which they bear an assumed usual relation. The accounts and descriptive statistical data, for the most part, are based upon the idea of describing this physical property and its physical performances with certain allusions to the surrounding conditions,—operative, contractual, and economic to which these physical parts are supposed to be adjusted in a normal relation.

Thus, as we see, accounts limit themselves to the enumeration of physical parts of the property, because these are the first and obvious phases of it, because they are definitely measured and enumerated in terms of universal use. The physical property itself is exposed to the play of many forces. The underlying conception of the property is that it shall remain a fixed quantity producing an approximately certain minimum annual yield. It is the problem of operation to so balance the forces of deterioration, wear and repair, that the physical property shall be con-

tinued unimpaired after the year's yield has been set aside for dividends. And this first notion of maintaining the physical parts of the property in their original physical dimensions, by a next stage comes to include their maintenance in a physical efficiency, and finally in an economic efficiency, because the ultimate quality of a fixed property is its power to yield an annual income. It is plain that the system of accounts and statistics that shall set out and designate the several factors whose interplay produces the annual yield leads into many undetermined questions of the risks, the burden, and the speculative opportunity of private property devoted to public utility.

The physical property of the railroad which is listed on the asset side of the balance sheet is constituted of fixed plant and working capital. The fixed plant is generally built at one time from funds derived from the sale of securities. It constitutes an operating and financial entity, and its construction account when once closed is not often opened again except for extraordinary reasons.

Through the vicissitudes of wear and decay the property is kept undisturbed at its original figure on the books, while the deterioration, or destruction through accident, is set up in the offset account of replacement through which the cycle of depreciation (or loss) and renewal is cleared. Such changes are transient; the replacement account is practically an accommodation account.

But there are other changes in property which are permanent. These are the deterioration of the existing property, and the abandonment of the property that is to be replaced; or the betterment of existing property over present standards, and the addition of new property that does not replace existing property. For these changes, obviously, we cannot have an accommodation account because they are not mutually effacing, like depreciation and replacement, but are permanent and must ultimately lodge in the fixed property account either as additions

to or deductions from the original entry of fixed property on the books. However, such additions to or deductions from property, as their name indicates, are *changes of existing* property as distinguished from *construction of entirely new* property, or definite extensions of a property which are large enough to constitute in themselves considerable entities. (A change of alignment, although it may involve the construction of a mile of new track, is not an extension.—Case 21.) “Entries in the accounts prescribed in this classification should be made only with respect to additions to, betterments of, and withdrawals and retirements of property composing the plant and equipment of existing main and branch lines, including sidings and spur tracks and the necessary buildings, structures, and facilities.”*

Additions and Betterments is a sort of temporary account by which to gather up the miscellaneous betterments or additions to property as they occur incidentally to operations. While in this account the figures are subjected to a memorandum analysis as they accumulate from month to month, this analysis clearly shows their incidental character to the operations, and is largely designed to bring out their relation to those operations. Monthly, or at the end of the fiscal year, or at the completion of the particular work to which they refer, these accumulated totals are carried over to the regular construction account, “Expenditures for Road and Equipment” and set out under the appropriate classification there provided (Case 545).

The changes in property which constitute Additions and Betterments may be tabulated, for convenience, as follows:

1. Additions,—not taking the place of like property previously held:
 - (a) Property such as land, buildings, structures and facilities.
 - (b) Equipment.

* Additions and Betterments, General Instructions, Par. 1, p. 338 of this book.

2. Improvements (Betterments) — not involving the replacement of the property improved—of
 - (a) Land, buildings, structures, facilities.
 - (b) Equipment.
3. Betterment by substitution of new property of higher type for that demolished or abandoned:
 - (a) Buildings, structures, and facilities (except land which is written off when abandoned and the new land to take its place charged when obtained, there being no exact identity between the two.)
 - (b) Equipment,—the betterment by new equipment of higher type substituted for old is not taken over in the form of its net amount, as excess cost, but the equipment destroyed or reclassified is first written off and the equipment substituted is then taken up through Additions and Betterments as if it were new equipment.)

Additions and Betterments is clearly distinguished from Expenses, which is the current cost of producing the current revenue; it is different also from Renewals, which is an incident of upkeep of the property, to maintain its continued efficiency, but the actual distinction between Additions and Betterments, and Renewals, or upkeep, is sometimes difficult to define exactly. The replacement of property in kind is upkeep, not Additions and Betterments. It is defined that this replacement in kind means that the new property substituted for the old, shall be “substantially similar in capacity, service and accessories” and have “a physical condition and an expectation of life in service equal to that of the replaced property when acquired, or, if improved, after acquirement, when in its best condition.”*

* Additions and Betterments, General Instructions, Par. 11, p. 340 of this book.

It is the essential nature of Additions and Betterments that they shall represent physical additions and betterments, and it is logically implied, though not specifically stated, that these physical additions or betterments shall have either a direct productivity, or shall add to the efficiency of the existing plant. The actual wording of the Classification (which is vague) is, that this classification shall be "so applied as to reflect the net increase or decrease (determined according to the rules provided) in the investment."*

It is apparently the intent of the I. C. C. Classification of Expenses, first to hold intact the physical property against wear and the processes of age; next to preserve it intact functionally,†—that is, against obsolescence, so that not only is the type maintained, physically, but also the efficiency of the type itself to perform the service for which it was designed. For instance, a road that has substituted oil for coal as locomotive fuel no longer has use for its coaling stations. Although they may be fully maintained up to the original physical standard, yet the standard itself has ceased to be physically efficient for the purposes for which it was originally designed. The substitution of the new type of fuel supply depot is maintenance against the obsolescence due to a change in the standards of practice worked out inside the lines of the railroad's operations themselves.

But as to the other kinds of obsolescence, the theory in the classification of expenses is not well defined. There is that obsolescence which arises from the increasing demands of the public for better service, more commodious terminals, more luxurious service in transit, more expeditious movement of freight, more convenient delivery at destination. This is a change in the conditions *outside* the lines of the railroad's opera-

* Additions and Betterments, General Instructions, Par. 1, p. 338 of this book.

† "Substantially similar in . . . service . . . [and having equal] expectation of life in service." Additions and Betterments—General Instructions, Par. 11.

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only recognized to the of allowing excess value in that
account when new rails are used to repair track originally laid
with "relay" rails). But quality is a basis for betterment
charge in the following cases,—Material used in replacing lining
of tunnels; frogs and switches (when installed under a definite
plan of improvement); track fastenings and appurtenances;
improved crossings; improved interlocking plants; improved
wire of telegraph and telephone lines; improved machinery and
appurtenance of electric light and power plants; improved
appliances for equipment. (See Classification of Additions and
Betterments, appropriate accounts.)

Difference in quality merges imperceptibly into differences
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ences considered as basis for betterment charge in the following cases:—Bridges, trestles and culverts; shop machinery and tools; improved plants and buildings for electric light and power plants; improved machinery and fixtures of grain elevators and storage warehouses; improved transmission lines for electric power transmission. From this stage it is but a step to those improvements of type of large structures such as bridges, buildings, docks, and the grade, line and drainage of track and roadway which are universally recognized as betterments.

Quantity, throughout the Classification is recognized as a basis of betterment charge;—thus additional yards of ballast, additional pounds of steel per yard of rail, additional number of cars or locomotives, or “additional devices and apparatus” applied, additional miles of line, side track, yards or fencing are illustrations. The only exception made (and that is optional) is when the amount of improvement in any particular undertaking (“comprehensive plan of improvements”—Case 571) is less than \$200. But this exception does not apply in case of right of way and station grounds, real estate, sidings and spur tracks (Case 572), terminal yards, fencing right of way or in case of an individual car or locomotive (Case 570), when the repairs of these cars or locomotives belong with the repairs of other cars to a specific undertaking of betterments or renewal of parts. Of course the betterment in all cases is represented by the excess cost of the improvement over replacement.

The Classification, unfortunately, might be more specific as to those betterments where an existing unit of equipment is replaced with another unit of equipment of larger capacity but of the same class. If of improved design, the betterment probably would be covered by the provision for “the cost of additional devices and apparatus applied.” If the betterment of equipment is incidental to raising the type of the equipment unit from one class to another, such betterment is also provided

for. If, however, it is not a conversion of one class to another, but is a replacement of locomotive or car of a given capacity with one of a greater capacity, then for our guide we must rely on the general instructions that Additions and Betterments is intended "to reflect the net increase or decrease (determined according to the rules provided) in the investment,"* and the further specification that the replacement in kind which a betterment must exceed is replacement by "property substantially similar in capacity."†

The value at which these additions and betterments theoretically should be stated would be the capitalized value of the added annual product or increment of efficiency derived from them, at the usual rate of capitalizing income. In theory, any difference between the annual productivity or increment at its capitalized value and the actual cost of the addition or betterment, which creates this added productivity or increment, should be absorbed through Profit and Loss, like any other adjustment between property at its real and at its capitalized value; but in processes so complex as those of a great railroad plant the specific contribution to net income of any one part may be very problematical, and among different parts may vary widely. In practice any addition or betterment that enhances the net income to an amount to justify its cost at all, is put into property account of Additions and Betterments at its cost value like any other property. When the original property with its improvements has a value either more or less than the sum of the original value plus the cost of the improvement, then an appraisal of the property in its improved condition may be in order and the adjustment made through Additions and Betterments with offsetting charges or credits to expenses. Such adjustment to real value must be made at some time, and the substantial revision

* Additions and Betterments, General Instructions, Par. 1, p. 338 of this book.

† Additions and Betterments, General Instructions, Par. 11, p. 340 of this book.

of the property by betterment offers the natural occasion for the readjustment (Case 553).

As emphasizing the idea that betterments must carry an added net utility, we have the ruling under Additions and Betterments, account A 35. "This account should not be charged with . . . assessments by towns, cities or other governmental authorities against a carrier as a property holder, for public improvements which do not directly benefit the carrier in the operation or maintenance of its property."

The Additions and Betterments accounts, as we have seen, are to provide for property charges that occur incidental to operation, i.e., "additions to betterments of and withdrawals and retirements of property composing the plant and equipment of existing main and branch lines." A demarcation between the construction and the operation period of the road is necessary because like charges under construction go to "Expenditures for Road and Equipment" directly and not through Additions and Betterments. The Commission has not specifically defined that moment at which the construction work ceases, and operation begins—the point where the direct charges to construction account cease, and the subsequent charges to new property are first carried through Additions and Betterments. (See case 438.) But as guide to the determination of such point it has been ruled that "Until such time as a new railway or any important section of it, constructed as an extension of existing main or branch lines or as a new project, has reached such a stage of completion that it is, or may be, regularly operated for the purposes of a common carrier, expenditures proper to be included in the accounts representing the cost of road and equipment should be charged directly to the accounts prescribed in the Classification of Expenditures for Road and Equipment, and not to the accounts in this classification.* The Com-

* Additions and Betterments, General Instructions, Par. 1, p. 338 of this book.

mission also states that the operations "Should begin with respect to any particular portion of a road as soon as that portion has reached such a stage of completion that the commercial operations are the main portion of the business However, it should be understood that any expenditures for unfinished construction work should be charged to 'Expenditures for Road and Equipment'" (Case 115.)

Additions and Betterments being of a miscellaneous character and occurring coincidently with maintenance, the exact segregation of the charge must at times be somewhat arbitrary. It has been the rule that Additions and Betterments must bear the expense of injuries to persons, incidental to the work (Case 314); the repairs of equipment used (Case 483); the rent of equipment used (Cases 152, 559); the first cost of all equipment specifically bought for Additions and Betterment work (Cases 235, 480); and the estimated actual cost of all transportation of material used (Cases 476, 559). But no profit may be charged to Additions and Betterments on any such service performed (Case 476), nor may there be charged any part of the salaries and expenses of officers and employees, whose assignment and entire time are not devoted to Additions and Betterments work. (See case 436, also General Instructions A and B, paragraph 15). Furthermore, Operating Expenses must bear the burden of keeping tracks passable for traffic, relocating or reconstructing roads, crossings, watchhouses, telegraph or telephone pole lines, fences, signs, signals or other structures, when such expense or expenses occur in the course of betterment work. Also Operating Expenses must bear the burden of restoring the conditions of grounds adjacent to buildings and shops after betterment work has been completed.

The additions and betterments are for the road as a whole, including property devoted to Outside Operations, incidental to furnishing transportation, and are not limited to property devoted to rail operations alone. The distinction between Out-

side Operations and rail operations does not extend to the division of the property account because the Outside Operations are an incidental use of a property primarily created for railroad purposes.

From the incidental character of additions and betterments work it follows that the funds are generally currently derived from earnings and not from the sale of securities. When later carried over into the permanent capital account, they serve as the basis for the subsequent issues of securities from the proceeds of which the working capital funds are reimbursed.

The same principle which charges additions and betterments to this account under all the above conditions, necessarily allocates to the same account the credits for values withdrawn from such property when there are decrements, or reductions of class instead of additions or betterments. Likewise a charge includes deductions for any incidental salvage. The changes in property which are recorded through Additions and Betterments, may be either to increase or decrease the final annual net money out-turn of the property, and it becomes the province of the accountant to absorb, through Profit and Loss, or its related accounts, the adjustments that must be made from time to time in order to preserve the fixed property at its original efficiency for producing revenue.

FORM OF INCOME AND PROFIT AND LOSS STATEMENT FOR STEAM ROADS

FIRST ISSUE EFFECTIVE JULY 1, 1912.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, June 27, 1912.

TO CARRIERS CONCERNED:

It has seemed essential, for the completion of the system of accounts to be used by carriers by rail (exclusive of electric railways), subject to the act to regulate commerce as amended, that a Form of Income and Profit and Loss Account Statement be issued for the government of such carriers.

This Form of Income and Profit and Loss Account Statement for Steam Roads, First Issue, is therefore promulgated for the use of carriers engaged in transportation by rail (exclusive of electric railways), and, together with other classifications and accounting forms previously issued and now in effect, practically completes the system of accounts for such carriers.

It is intended that the accounts provided herein shall be used, so far as they may be applicable to each, both by lessor companies and by operating companies.

It is proper to acknowledge the cooperation of the accredited representatives of the Association of American Railway Accounting Officers in working out the rules in this form. While the rules as now promulgated do not in all respects conform to the recommendations of that association, the assistance of its representatives, in the consideration of the questions involved herein, has been invaluable.

To the end that substantial uniformity in the interpretation of these rules be maintained, carriers are requested to submit all questions of doubtful interpretation to this office for consideration and decision.

GENERAL INSTRUCTIONS.

1. INCOME ACCOUNT DEFINED.—The Income Account brings together those accounts that show the total amount of money that a company receives or becomes entitled to receive from its transportation and other operations during a given fiscal period, the return accrued during the period

upon investments, the disbursements and obligations incurred that affect the amounts so received or accrued, and the disposition or allocation of the net income accrued. The net balance shown by the Income Account should be carried to the Profit and Loss Account.

2. **PROFIT AND LOSS ACCOUNT DEFINED.**—The Profit and Loss Account summarizes the changes in the corporate surplus or deficit during a given fiscal period resulting from the operations and business transactions during that period as well as changes effected by appropriations of surplus made at the option of the company, by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere. The Profit and Loss Account is the connecting link between the Income Account and the General Balance Sheet. The Profit and Loss Account balance should be shown in the General Balance Sheet Statement under account B 27 or account B 50.

3. **GENERAL LEDGER ACCOUNTS**—The titles of the accounts in the general ledger pertaining to the Income Account and Profit and Loss Account should substantially conform to the titles of the accounts prescribed herein. Carriers may, however, subdivide any of the prescribed accounts, provided that the subaccounts do not impair the integrity of the accounts prescribed and that the titles of the subaccounts in the general ledger give reference (by number, title, or both) to the accounts prescribed herein of which they are subdivisions.

4. **INCOME ACCOUNT ON BASIS OF ACCRUALS.**—The text in general provides that items affecting the Income Account shall be stated upon the basis of accruals. Exceptions will, however, be noted in a few instances in which it seems that to require the accrual basis would lead to erroneous results, or perhaps involve unwarranted refinements in accounting.

5. **SINKING FUND ACCRUALS.**—A separate account has been provided in the Income Account for showing income from securities and other assets held in sinking and other reserve funds. Entries are to be made in this account for income accrued on cash, securities, and other assets held in such funds, with the exception of securities issued or assumed by the accounting company. No entry is to be made, either in this account or in accounts representing interest on funded debt or dividends on stock, for interest or dividends on such securities as are issued or assumed by the company and held by or for it.

Accounts are provided both in the Income Account and in the Profit and Loss Account for appropriations of contributions and of accretions to sinking funds, the amounts of which are to be credited to balance-sheet account B 49, "Reserves from Income or Surplus."

6. **APPROPRIATIONS.**—Accounts are provided in the Income Account for the appropriation of net income and in the Profit and Loss Account for the appropriation of surplus. Whether appropriations shall be charged to Income or to Profit and Loss is thus left to the discretion of the accounting company.

7. CANCELLATION OF CONFLICTING PREVIOUS INSTRUCTIONS.—The rules provided in this Form of Income and Profit and Loss Statement supersede any conflicting instructions in other classifications and accounting forms previously issued.

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TEXT EXPLANATORY OF ACCOUNTS APPEARING IN THE INCOME STATEMENT FOR STEAM ROADS.

I. RAILWAY OPERATING INCOME:

I 1. RAIL OPERATIONS—REVENUES.

This account should include the total operating revenues stated in accordance with the Classification of Operating Revenues for Steam Roads.

I 2. RAIL OPERATIONS—EXPENSES.

This account should include the total operating expenses stated in accordance with the Classification of Operating Expenses for Steam Roads.

I 3. AUXILIARY (OR OUTSIDE) OPERATIONS—REVENUES.

This account should include the revenues from auxiliary (or outside) operations stated in accordance with the Classification of Revenues and Expenses for Outside Operations.

I 4. AUXILIARY (OR OUTSIDE) OPERATIONS—EXPENSES.

This account should include the expenses of auxiliary (or outside) operations stated in accordance with the Classification of Revenues and Expenses for Outside Operations.

I 5. RAILWAY TAX ACCRUALS.

This account should include Federal, State, county, municipal, school, and other taxing-district taxes of all kinds, relating to railway property, operations, and privileges, whether the assessment is based on the valuation of the property; on the amount of stocks and bonds issued or outstanding in respect to such property; on the gross or net earnings; on dividends; on the number of passengers or the amount of freight carried; on the length of line operated or owned; on the rolling stock; or otherwise.

This account should be charged each month with the amount of taxes accruing during the month. When it is not possible to determine the actual accruals, the amount of the annual taxes should be estimated and one-twelfth of the estimated amount should be charged to this account monthly. The monthly charges should be adjusted from time to time during the year as the actual tax levies become known so as to include as nearly as may be possible the total amount of the taxes in the accounts of the fiscal year to which they apply.

If the terms of lease obligate the operating company for the taxes assessed in connection with property leased outright, the accruals of such taxes should be charged by it to this account. If such taxes are actually paid to the government authorities by the lessor company, the payment should be charged directly to the lessee and it should not enter into the taxes account of the lessor.

Accruals of taxes to be paid by the lessor company, if the terms of the lease do not obligate the lessee company, should be charged by the lessor company to this account. If such taxes are actually paid to the government authorities by the operating company, the payment should be charged directly to the lessor and it should not enter into the taxes account of the lessee.

NOTE A.—If property other than railway property is so intimately connected with railway property that the taxes thereon cannot be separately ascertained, such taxes may be included in this account; also when it is impossible to ascertain from the taxing authorities the distribution of taxes between (1) railway property, operations, and privileges, and (2) other property, operations, and privileges, the taxes on the latter may be included in this account. When it is possible to ascertain the taxes on other property, operations, and privileges, they should be charged to account I 23, "Miscellaneous Tax Accruals."

NOTE B.—Special assessments for street and other improvements and special benefit taxes, such as water taxes, drainage taxes, and the like should not be charged to this account, but should be included in operating expense, additions and betterments, or road and equipment accounts, as may be appropriate.

NOTE C.—Taxes on new lines under construction or on property acquired for the extension of existing lines should be charged to road and equipment account No. 46, "Taxes," until the lines are opened for commercial operation.

NOTE D.—Taxes assessed separately on real estate acquired for Additions and Betterments should be charged to the appropriate additions and

betterments accounts until the completion or coming into service of the property.

NOTE E.—Amounts received in reimbursement of taxes on property jointly used should be credited to account I 8, "Joint Facility Rent Income." Amounts paid in reimbursement of such taxes should be charged to account I 21, "Joint Facility Rent Deductions."

II. OTHER INCOME:

I 6. INCOME FROM LEASE OF ROAD.

This account should include the amount accrued as rent for road (including the equipment and other railway property covered by the contract) owned or controlled by the accounting company and held by another company under lease or other agreement granting exclusive use and control for operating purposes.

This account should include the entire amount of rent (except taxes) receivable by the lessor according to the terms of lease or other agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

NOTE A.—If equipment is included in the lease of road, the rent of such equipment should be credited to this account and not to Hire of Equipment account.

NOTE B.—If property, the rent of which is charged to account I 19, "Deductions for Lease of Other Roads," is sublet by the accounting company, the rent receivable therefor should be credited to this account.

NOTE C.—If, under the terms of a lease, the deficit (or any portion of it) resulting from the lessee company's operations of the property leased is payable by the lessor company, the amount should be charged to this account by the lessor.

NOTE D.—A company owning or controlling steam roads and leasing the entire railway property to others and performing no railway operations should charge to this account the cost of maintaining its organization, such as the salaries of officers, clerks, and attendants; office expenses; law expenses; cost of stationery, printing, and supplies; and like expenses.

I 7. HIRE OF EQUIPMENT—CREDIT BALANCE.

This account should include the net credit balance of (1) amounts accrued as owed by others for the use of the accounting company's equipment leased or interchanged, and (2) amounts accrued as owed to other carriers for the use of their equipment leased or interchanged and amounts accrued as owed to individuals and companies for the use of private cars.

NOTE A.—If the net balance is a debit, it should be included in account I 20, "Hire of Equipment—Debit Balance."

NOTE B.—Rent for equipment included in the lease of road to another company should not be included in this account, but should be credited to account I 6, "Income from Lease of Road."

NOTE C.—This account does not apply to equipment assigned to Auxiliary (or Outside) Operations, the rent of which is provided for in the Classification of Revenues and Expenses for Outside Operations.

I 8. JOINT FACILITY RENT INCOME.

This account should include amounts accrued as rent of tracks, yards, terminals, and other facilities owned or controlled by the accounting company and used jointly with other carriers, companies, and individuals.

NOTE A.—Amounts received from other companies in reimbursement for taxes on property jointly used should be credited to this account.

NOTE B.—The cost of maintenance, operation, or administration of joint facilities recoverable from others should not be included in this account, but should be credited to the various joint facility accounts provided in the Classification of Operating Expenses. When the compensation for the use of joint facilities is a fixed amount or is based upon a charge per passenger, per ton, per car, or other unit, it should be fairly apportioned by the operating company between this account and the appropriate joint facility operating expense accounts.

NOTE C.—If the facilities are used jointly with others than common carriers and the amounts involved are relatively small, they need not be apportioned between this account and the joint facility operating expense accounts, but may be credited to revenue account No. 18, "Rents of Buildings and Other Property."

I 9. MISCELLANEOUS RENT INCOME.

This account should include rents of property carried in the road and equipment accounts, the rents of which are not provided for in the three foregoing accounts. To this account should be charged the cost of maintenance of the property rented, also incidental expenses in connection with such property, such as the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collectors' commissions, and analogous items.

NOTE A.—If the expenses of the property leased cannot be separated from the expenses of property used in the company's operations, the rents should be credited to revenue account No. 18, "Rents of Buildings and Other Property."

NOTE B.—If a service (other than maintenance) is performed by the accounting company in connection with such property, the income should not be included in this account, but the service should be treated as an auxiliary (or outside) operation in accordance with the Introductory Letter in the Classification of Revenues and Expenses for Outside Operations.

NOTE C.—If property, the rent of which is charged to account I 22, "Miscellaneous Rent Deductions," is sublet by the accounting company, the rent receivable therefor should be credited to this account.

NOTE D.—Taxes on property, the rent of which is credited to this account, should be charged to account I 5, "Railway Tax Accruals."

NOTE E.—The rent of property carried in balance-sheet account B 6 (a), "Miscellaneous Investments—Physical Property," should not be included in this account, but in account I 10, "Net Profit from Miscellaneous Physical Property," or I 24, "Net Loss on Miscellaneous Physical Property."

NOTE F.—If the amounts received as rent for the exclusive use of tracks and other railway facilities maintained by the accounting company (the expenses in connection therewith being included in its operating expenses) are considerable, they should be divided into two portions, one representing the cost of maintenance, which should be credited to the appropriate operating expense accounts (not joint facility accounts), and the other representing the rent (amount applicable to the investment in the property), which should be credited to this account. If relatively small, the amounts

need not be divided, but may be credited to revenue account No. 18, "Rents of Buildings and Other Property."

NOTE G.—Rent and other income on real estate acquired for Additions and Betterments should be credited to the appropriate additions and betterments accounts until the completion or coming into service of the property.

I 10. NET PROFIT FROM MISCELLANEOUS PHYSICAL PROPERTY.

This account should include the net credit balance of the revenues or income from, and the expenses (excluding taxes) of, physical property carried in balance sheet account B 6 (a), "Miscellaneous Investments—Physical Property."

NOTE.—If the net balance is a debit, it should be shown under account I 24, "Net Loss on Miscellaneous Physical Property."

I 11. SEPARATELY OPERATED PROPERTIES—PROFIT.

This account should include amounts receivable under the terms of agreements or contracts whereby the surplus resulting from the operation of properties of other companies having a separate corporate existence and operated separately, is to be paid, in whole or in part, to the accounting company.

NOTE A.—The amount payable by the operating company should be charged by it to account I 29, "Transfer of Income to Other Companies."

NOTE B.—In determining the amount receivable by the accounting company, consideration should be given not only to the operating revenues and operating expenses but also to other items of income or deduction which affect that amount.

NOTE C.—This account should not include the results from operations of property and facilities owned by the accounting company, the revenues and expenses of which are provided for in the Classification of Revenues and Expenses for Outside Operations, or in accounts I 10, "Net Profit from Miscellaneous Physical Property," and I 24, "Net Loss on Miscellaneous Physical Property."

NOTE D.—Dividends or other returns upon securities issued by separately operated companies and held or controlled by the accounting company should not be included in this account, but in account I 12, "Dividend Income," I 13, "Income from Funded Securities," or I 14, "Income from Unfunded Securities and Accounts," as may be appropriate.

I 12. DIVIDEND INCOME.

This account should include dividends declared on railway and other stocks owned by the accounting company (and held in its treasury or deposited in trust), or controlled through lease or otherwise, the income from which is the property of the accounting company. Accruals of guaranteed dividends may be included in this account if their payment is reasonably assured.

NOTE A.—This account should not include credits for dividends on stocks issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE B.—Dividends on stocks of other companies held in sinking or other reserve funds should not be included in this account, but should be credited to account I 15, "Income from Sinking and Other Reserve Funds."

I 13. INCOME FROM FUNDED SECURITIES.

This account should include interest on funded securities and debenture stock of railway and other companies owned by the accounting company (and held in its treasury or deposited in trust) or controlled through lease or otherwise, the income from which is the property of the accounting company. Interest accrued should not be credited unless its payment is reasonably assured by past experience, guaranty, anticipated provision, or otherwise. In other cases the credit to this account should be based upon the interest actually collected.

NOTE A.—The term *funded securities*, as here used, means all bonds, notes, and other evidences of indebtedness (except open accounts for advances) which, by the terms of the creation of the debt, do not mature until more than one year after the date of such creation.

NOTE B.—This account should not include interest on funded securities issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE C.—Interest on funded securities of other companies held in sinking or other reserve funds should not be included in this account, but in account I 15, "Income from Sinking and Other Reserve Funds."

NOTE D.—At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the discount or premium on funded securities of other companies owned.

NOTE E.—Interest accruing on funded securities after maturity should not be included in this account, but in account I 14, "Income from Unfunded Securities and Accounts."

I 14. INCOME FROM UNFUNDED SECURITIES AND ACCOUNTS.

This account should include interest income on unfunded securities and matured funded securities of other companies, interest on bank balances and open accounts, and other analogous items, including discount on short-term notes.

NOTE A.—The term *unfunded securities*, as here used, means notes and other evidences of indebtedness payable on demand or having dates of maturity one year or less from the dates of issue.

NOTE B.—Interest on assets held in sinking and other reserve funds should not be included in this account, but in account I 15, "Income from Sinking and Other Reserve Funds."

NOTE C.—Discounts on bills for material purchased should not be credited to this account, but should be credited to the accounts which were charged by the original invoices.

I 15. INCOME FROM SINKING AND OTHER RESERVE FUNDS.

This account should include the income accrued on cash, securities and other assets (not including securities issued or assumed by the accounting company) held in sinking and other reserve funds.

NOTE A.—At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish (during the interval between the date of acquisition and the date

of maturity) the discount or premium on funded securities of other companies held in sinking or other reserve funds.

NOTE B.—If the income to a sinking fund is allowed to be retained in the fund and if the sinking fund is required to be represented by a reserve, the amounts credited to this account in respect to such income should be concurrently charged to account I 31, "Appropriations of Income to Sinking and Other Reserve Funds" and credited to balance-sheet account B 49, "Reserves from Income or Surplus."

I 16. RELEASE OF PREMIUMS ON FUNDED DEBT.

This account should be credited during each fiscal period with such proportion of the premiums on outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to the rule provided in balance-sheet account B 44, "Unextinguished Premiums on Outstanding Funded Debt."

NOTE.—The amounts credited to this account should be concurrently charged to the Discounts and Premiums accounts in which the respective premiums are carried.

I 17. CONTRIBUTIONS FROM OTHER COMPANIES.

If, under the terms of agreements or contracts, the deficit of the accounting company is payable (in whole or in part) by another company without provision for subsequent reimbursement, the amount so receivable should be credited to this account.

NOTE A.—The amount payable should be charged by the contributing company to account I 25, "Separately Operated Property—Loss."

NOTE B.—In determining the amount receivable by the accounting company, consideration should be given not only to the operating revenues and operating expenses but also to other items of income or deduction which affect that amount.

NOTE C.—This account should not include advances. (See balance-sheet accounts B 33, "Obligations for Advances Received for Construction, Equipment, and Betterments," and B 40, "Working Advances Due to Other Companies.")

I 18. MISCELLANEOUS INCOME.

This account should include all items, not provided for elsewhere, properly creditable to Income for the fiscal period for which the Income Account is stated.

III. DEDUCTIONS FROM GROSS INCOME:

I 19. DEDUCTIONS FOR LEASE OF OTHER ROADS.

This account should include amounts accrued as rent for roads (including the equipment and other railway property covered by the contracts) of other companies held under lease or other agreement by the terms of which exclusive use and control for operating purposes are secured.

This account should include the entire amount of rent (except taxes) payable by the lessee according to the terms of lease or other

agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

NOTE A.—The rent of equipment included in the lease of road should be charged to this account and not to Hire of Equipment account.

NOTE B.—If property, the rent of which is charged to this account, is sublet by the accounting company to others, the rent from the sublease should be credited to account I 6, "Income from Lease of Road."

NOTE C.—If, under the terms of a lease, the deficit (or any portion of it) resulting from the lessee company's operations of the property leased is chargeable to the lessor company, the amount should be credited to this account by the lessee.

I 20. HIRE OF EQUIPMENT—DEBIT BALANCE.

This account should include the net debit balance of (1) amounts accrued as owed by others for the use of the accounting company's equipment leased or interchanged, and (2) amounts accrued as owed to other carriers for the use of their equipment leased or interchanged and amounts accrued as owed to individuals and companies for the use of private cars.

NOTE A.—If the net balance is a credit, it should be included in account I 7, "Hire of Equipment—Credit Balance."

NOTE B.—Rent for equipment included in the lease of road to the accounting company should not be included in this account, but in account I 19, "Deductions for Lease of Other Roads."

NOTE C.—Interest accrued on any form of equipment trust obligations should not be included in this account, but should be charged to account I 26, "Interest Deductions for Funded Debt."

NOTE D.—This account does not apply to equipment assigned to Auxiliary (or Outside) Operations, the rent of which is provided for in the Classification of Revenues and Expenses for Outside Operations.

I 21. JOINT FACILITY RENT DEDUCTIONS.

This account should include amounts accrued as rent for tracks, yards, terminals, and other facilities owned or controlled by other carriers, companies, or individuals, in the joint use of which the accounting company participates.

NOTE A.—Amounts paid by the accounting company in reimbursement for taxes on property jointly used should be charged to this account.

NOTE B.—The cost of maintenance, operation, or administration of joint facilities, chargeable to the accounting company, should not be included in this account, but should be charged to the various joint facility accounts provided in the Classification of Operating Expenses. When the compensation for the use of joint facilities is a fixed amount or is based upon a charge per passenger, per ton, per car, or other unit, it should be fairly apportioned between this account and the appropriate joint facility operating expense accounts. This apportionment should be made by the operating company, if it is a steam road, and should be followed by the accounting company.

NOTE C.—If the facilities are used jointly with others than common carriers and the amounts involved are relatively small, they need not be apportioned between this account and the joint facility operating expense accounts, but may be charged to the appropriate operating expense accounts (not joint facility accounts).

I 22. MISCELLANEOUS RENT DEDUCTIONS.

This account should include rents accrued on property leased to the accounting company and not properly chargeable to any of the three foregoing accounts.

NOTE A.—This account should not include such rents as are provided for in the Classification of Operating Expenses for Steam Roads or in the Classification of Revenues and Expenses for Outside Operations.

NOTE B.—If property, the rent of which is chargeable to this account, is sublet by the accounting company to others, the rent from the sublease should be credited to account I 9, "Miscellaneous Rent Income."

NOTE C.—Payments for the exclusive use of property maintained by the lessor and used in the accounting company's operations (when considerable in amount and when not provided for in the Classification of Operating Expenses for Steam Roads or in the Classification of Revenues and Expenses for Outside Operations) should be divided into two portions: one representing the cost of maintenance, which should be charged to the appropriate operating expense accounts (not joint facility accounts), and the other representing the rent (amount applicable to the investment in the property), which should be charged to this account. If relatively small, the amounts need not be divided, but may be charged to the appropriate operating expense accounts (not joint facility accounts).

I 23. MISCELLANEOUS TAX ACCRUALS.

This account should include all taxes accrued other than those provided for in account I 5, "Railway Tax Accruals," such as taxes on securities owned, taxes on income from securities owned, taxes on physical property other than that carried in the road and equipment accounts, Federal excise taxes or such portion of them as is not assigned to railway operations, and analogous items.

NOTE.—If property other than railway property is so intimately connected with railway property that the taxes thereon cannot be separately ascertained, such taxes may be included in account I 5, "Railway Tax Accruals"; also, when it is impossible to ascertain from the taxing authorities the distribution of taxes between (1) railway property, operations, and privileges, and (2) other property, operations, and privileges, the taxes on the latter may be included in account I 5, "Railway Tax Accruals."

I 24. NET LOSS ON MISCELLANEOUS PHYSICAL PROPERTY.

This account should include the net debit balance of the revenues or income from, and the expenses (excluding taxes) of, physical property carried in balance-sheet account B 6 (a), "Miscellaneous Investments—Physical Property."

NOTE.—If the net balance is a credit, it should be shown under account I 10, "Net Profit from Miscellaneous Physical Property."

I 25. SEPARATELY OPERATED PROPERTIES—LOSS.

This account should include amounts payable under the terms of agreements or contracts whereby the deficit resulting from the operation of properties of other companies having a separate corporate

existence and operated separately is to be paid, in whole or in part, by the accounting company.

NOTE A.—The amount receivable by the operating company should be credited by it to account I 17, "Contributions from Other Companies."

NOTE B.—In determining the amount payable by the accounting company, consideration should be given not only to the operating revenues and operating expenses, but also to other items of income or deduction which affect that amount.

NOTE C.—This account should not include the results from operations of property and facilities owned by the accounting company, the revenues and expenses of which are provided for in the Classification of Revenues and Expenses for Outside Operations, or in accounts I 10, "Net Profit from Miscellaneous Physical Property," and I 24, "Net Loss on Miscellaneous Physical Property."

NOTE D.—Dividends or other returns upon securities issued by separately operated companies and held or controlled by the accounting company should not be included in this account to offset a deficit payable, but in account I 12, "Dividend Income"; I 13, "Income from Funded Securities"; or I 14, "Income from Unfunded Securities and Accounts," as may be appropriate.

I 26. INTEREST DEDUCTIONS FOR FUNDED DEBT.

This account should include interest on funded debt issued or assumed by the accounting company which has accrued during the period for which the Income Account is stated.

NOTE A.—This account should include the interest accrued on all classes of funded debt as defined in balance-sheet account B 31, "Funded Debt," and also the interest on receivers' certificates issued for a term of more than one year, the interest accrued on long-term advances, and the interest accrued on debenture stock.

NOTE B.—This account should not include charges for interest on funded debt obligations issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral. (See account I 31, "Appropriations of Income to Sinking and Other Reserve Funds.")

NOTE C.—When funded debt is incurred for new lines or extensions, the interest that accrues on the funded debt after the lines are open for operation should be included in this account, and should not be charged to road and equipment account No. 47, "Interest and Commissions."

NOTE D.—When funded debt is incurred for additions and betterments purposes, the interest that accrues on the funded debt after the receipt or the completion or coming into service of the property so acquired should be included in this account, and should not be charged to additions and betterments account A 34, "Interest and Commissions."

NOTE E.—Interest accruing on funded debt securities after maturity should not be included in this account, but in account I 27, "Interest Deductions for Unfunded Debt."

I 27. INTEREST DEDUCTIONS FOR UNFUNDED DEBT.

This account should include interest accrued on unfunded debt, such as short-term notes (payable on demand or having dates of maturity one year or less from dates of issue), interest on matured funded securities and open accounts, and other analogous items, including discount on short-term notes.

NOTE A.—When short-term notes or other evidences of unfunded indebtedness are issued for new lines or extensions, the interest that accrues after

such lines or extensions are open for operation should be included in this account, and should not be charged to road and equipment account No. 47, "Interest and Commissions."

NOTE B.—When short-term notes or other evidences of unfunded indebtedness are issued for additions and betterments purposes the interest that accrues after the receipt or the completion or coming into service of the property should be included in this account and should not be charged to additions and betterments account A 34, "Interest and Commissions."

I 28. AMORTIZATION OF DISCOUNT ON FUNDED DEBT.

This account should be charged during each fiscal period with such proportion of the unextinguished discount and expense on funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity will extinguish the discount and expense on funded debt.

In order that the discount and expense on funded debt may be extinguished sooner, the company may, at its option, charge to account PL 11, "Debt Discount Extinguished through Surplus," all or any portion of the discount and expense on funded debt remaining at any time unextinguished, but the charge to account I 28 for any period must not exceed the proportion applicable to that period, and a charge should be made for each period so long as any portion of the discount and expense remains unextinguished.

NOTE.—The amounts charged to this account should be concurrently credited to the Discounts and Premiums accounts in which the respective discounts are carried. (See balance-sheet accounts B 20, "Unextinguished Discount on Securities" and B 44, "Unextinguished Premiums on Outstanding Funded Debt.")

I 29. TRANSFER OF INCOME TO OTHER COMPANIES.

If, under the terms of agreements or contracts, the surplus of the accounting company is payable (in whole or in part) to another company, without provision for reimbursement, the amount so payable should be charged to this account.

NOTE A.—The amount receivable by the other company should be credited by it to account I 11, "Separately Operated Properties—Profit."

NOTE B.—Dividends or other payments upon securities issued or assumed by the accounting company should not be included in this account.

NOTE C.—In determining the amount payable by the accounting company, consideration should be given not only to operating revenues and operating expenses, but also to other items of income or deduction which affect that amount.

I 30. MISCELLANEOUS DEDUCTIONS.

This account should include all items, not provided for elsewhere, properly chargeable to Income for the fiscal period for which the Income Account is stated.

NOTE.—This account should include fines imposed by government authorities, not specifically chargeable to Operating Revenues or Operating Expenses.

IV. DISPOSITION OF NET INCOME.

I 31. APPROPRIATIONS OF INCOME TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts of appropriations of income for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of income or for the payment of definite sums into sinking and other reserve funds, and for accretions to such funds on account of income from previous investments, may be made the basis of such appropriations.

The appropriations for payments or accretions to the funds may include amounts equal to (1) direct payments; (2) the interest or dividends on securities issued or assumed by the accounting company and held in such funds; (3) the income from investments in securities (other than those issued or assumed by the accounting company) held in such funds; and (4) the income from cash and other property held in such funds.

NOTE A.—The amounts charged to this account should be concurrently credited to balance-sheet account B 49, "Reserves from Income or Surplus."

NOTE B.—If appropriations for direct payments are made from surplus, they should be charged to account PL 6, "Appropriations of Surplus to Sinking and Other Reserve Funds."

I 32. DIVIDEND APPROPRIATIONS OF INCOME.

This account should include dividends on outstanding capital stock issued or assumed by the accounting company (other than that held by it), if declared from income.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

NOTE A.—This account should include the dividends declared out of income on all classes of capital stock defined in balance-sheet account B 28, "Capital stock," except debenture stock. The payments on debenture stock should be charged to account I 26, "Interest Deductions for Funded Debt."

NOTE B.—This account should not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral. (See account I 31, "Appropriations of Income to Sinking and Other Reserve Funds.")

NOTE C.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account PL 7, "Dividend Appropriations of Surplus."

I 33. APPROPRIATIONS OF INCOME FOR ADDITIONS AND BETTERMENTS.

This account should include amounts appropriated from income for additions to and betterments of property carried in the road and equipment accounts.

betterments accounts until the completion or coming into service of the property.

NOTE E.—Amounts received in reimbursement of taxes on property jointly used should be credited to account I 8, "Joint Facility Rent Income." Amounts paid in reimbursement of such taxes should be charged to account I 21, "Joint Facility Rent Deductions."

II. OTHER INCOME:

I 6. INCOME FROM LEASE OF ROAD.

This account should include the amount accrued as rent for road (including the equipment and other railway property covered by the contract) owned or controlled by the accounting company and held by another company under lease or other agreement granting exclusive use and control for operating purposes.

This account should include the entire amount of rent (except taxes) receivable by the lessor according to the terms of lease or other agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

NOTE A.—If equipment is included in the lease of road, the rent of such equipment should be credited to this account and not to Hire of Equipment account.

NOTE B.—If property, the rent of which is charged to account I 19, "Deductions for Lease of Other Roads," is sublet by the accounting company, the rent receivable therefor should be credited to this account.

NOTE C.—If, under the terms of a lease, the deficit (or any portion of it) resulting from the lessee company's operations of the property leased is payable by the lessor company, the amount should be charged to this account by the lessor.

NOTE D.—A company owning or controlling steam roads and leasing the entire railway property to others and performing no railway operations should charge to this account the cost of maintaining its organization, such as the salaries of officers, clerks, and attendants; office expenses; law expenses; cost of stationery, printing, and supplies; and like expenses.

I 7. HIRE OF EQUIPMENT—CREDIT BALANCE.

This account should include the net credit balance of (1) amounts accrued as owed by others for the use of the accounting company's equipment leased or interchanged, and (2) amounts accrued as owed to other carriers for the use of their equipment leased or interchanged and amounts accrued as owed to individuals and companies for the use of private cars.

NOTE A.—If the net balance is a debit, it should be included in account I 20, "Hire of Equipment—Debit Balance."

NOTE B.—Rent for equipment included in the lease of road to another company should not be included in this account, but should be credited to account I 6, "Income from Lease of Road."

NOTE C.—This account does not apply to equipment assigned to Auxiliary (or Outside) Operations, the rent of which is provided for in the Classification of Revenues and Expenses for Outside Operations.

PROFIT AND LOSS STATEMENT

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TEXT EXPLANATORY OF ACCOUNTS APPEARING IN THE PROFIT AND LOSS STATEMENT FOR STEAM ROADS.

I. CREDITS:

PL 1. CREDIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the net credit balance brought forward from the Income Account.

PL 2. PROFIT ON ROAD AND EQUIPMENT SOLD.

This account should include credits to Profit and Loss on account of the sale of property carried in the road and equipment accounts if the proceeds of such sale are in excess of the amount of the assets shown therefor.

PL 3. DELAYED INCOME CREDITS.

This account should include credits relating to operating revenues, operating expenses, and other income items of previous fiscal periods, when such items are greatly delayed and relatively large.

NOTE A.—As a rule, items affecting Income should be included in the appropriate accounts in the fiscal period in which they accrue. Only those items which are greatly delayed and the amounts of which are relatively so large as to impair the figures for the current fiscal period should be credited to this account. Other lap-over items should be credited to the appropriate operating revenue, operating expense, or other accounts in the current fiscal period.

NOTE B.—All entries in this account should be made in such detail as will indicate the operating revenue, operating expense, or other income accounts to which they relate.

PL 4. MISCELLANEOUS CREDITS.

This account should include amounts (not provided for elsewhere) transferred from other accounts to Profit and Loss and amounts representing increases of resources not properly assignable to the income of the fiscal period for which the accounts are stated. Among the items which should be included in this account are:

Adjustments or cancellations of old balance-sheet accounts (other than road and equipment accounts).

Profit derived from the sale of investment securities (such as stocks or bonds owned).

Profit derived from the sale of property carried in balance-sheet account B 6 (a), "Miscellaneous Investments—Physical Property."

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than the par value.

Premiums on capital stock at the time of its retirement.

Unreleased premiums on funded debt retired before maturity.

II. DEBITS:**PL 5. DEBIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.**

Under this title should be shown the net debit balance brought forward from the Income Account.

PL 6. APPROPRIATIONS OF SURPLUS TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts of appropriations of surplus for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of surplus or for the payment of definite amounts into sinking and other reserve funds may be made the basis of such appropriations.

NOTE A.—This account should be used if the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 31, "Appropriations of Income to Sinking and Other Reserve Funds."

NOTE B.—If appropriations are made to cover the income accruing on sinking-fund assets and to cover amounts equivalent to interest on securities issued or assumed by the accounting company and held in such funds, the amounts of such appropriations should not be included in this account, but should be included in account I 31, "Appropriations of Income to Sinking and Other Reserve Funds." If appropriations are made to cover sums equivalent to dividends on stock issued or assumed by the accounting company and held in such funds, the amounts of such appropriations may be included in this account or in account I 31.

NOTE C.—The amounts charged to this account should be concurrently credited to balance-sheet account B 49, "Reserves from Income or Surplus."

PL 7. DIVIDEND APPROPRIATIONS OF SURPLUS.

This account should include dividends on outstanding capital stock issued or assumed by the accounting company (other than that held by it), if declared from surplus.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock.

If a dividend is payable in anything other than money, such thing should be described in the entry with sufficient particularity to identify it.

NOTE A.—This account includes the dividends declared from surplus on all classes of capital stock defined in balance-sheet account B 28, "Capital stock," except debenture stock. The payments on debenture stock should be charged to account I 26, "Interest Deductions for Funded Debt."

NOTE B.—This account should not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or sinking or other reserve funds, or pledged as collateral. (See account PL 6, "Appropriations of Surplus to Sinking and Other Reserve Funds.")

NOTE C.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 32, "Dividend Appropriations of Income."

PL 8. APPROPRIATIONS OF SURPLUS FOR ADDITIONS AND BETTERMENTS.

The account should include amounts appropriated from surplus for additions to and betterments of property carried in the road and equipment accounts.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve. Entries should be made concurrently crediting the amounts to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income," or to account B 49, "Reserves from Income or Surplus."

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 33, "Appropriations of Income for Additions and Betterments."

PL 9. APPROPRIATIONS OF SURPLUS FOR NEW LINES AND EXTENSIONS.

This account should include amounts appropriated from surplus for the construction of new lines or the extension of existing lines.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve. Entries should be made concurrently crediting the amounts to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income," or to account B 49, "Reserves from Income or Surplus."

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 34, "Appropriations of Income for New Lines and Extensions."

PL 10. STOCK DISCOUNT EXTINGUISHED THROUGH SURPLUS.

This account should include such appropriations of surplus as are made to reduce or extinguish the discount on capital stock included in the Discounts and Premiums accounts. (See balance-sheet account B 20, "Unextinguished Discount on Securities.")

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 35, "Stock Discount Extinguished through Income."

PL 11. DEBT DISCOUNT EXTINGUISHED THROUGH SURPLUS.

This account should include such appropriations of surplus as are made at the option of the accounting company to reduce or extinguish the discount and expense on funded debt.

(See account I 28, "Amortization of Discount on Funded Debt," and balance-sheet account B 20, "Unextinguished Discount on Securities.")

PL 12. MISCELLANEOUS APPROPRIATIONS OF SURPLUS.

This account should include appropriations of surplus not provided for elsewhere.

NOTE A.—This account should include any appropriations of surplus (except sinking-fund appropriations) made for the discharge of the principal (less the discount, if any, suffered at the time of sale) of any indebtedness incurred in the acquisition or improvement of property carried in the road and equipment accounts. The amounts charged to this account for such purpose should be concurrently credited to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income."

NOTE B.—This account should be used when the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 36, "Miscellaneous Appropriations of Income."

PL 13. LOSS ON RETIRED ROAD AND EQUIPMENT.

This account should include charges to Profit and Loss (as provided by the Classification of Expenditures for Additions and Betterments), on account of (1) property (except equipment) carried in the road and equipment accounts, which has been abandoned, sold, or otherwise retired, and not replaced; and (2) equipment which has been abandoned, sold, or otherwise retired.

PL 14. DELAYED INCOME DEBITS.

This account should include debits relating to operating revenues, operating expenses, and other income items of previous fiscal periods when such items are greatly delayed and relatively large.

NOTE A.—As a rule, items affecting Income should be included in the appropriate accounts in the fiscal period in which they accrue. Only those items which are greatly delayed and the amounts of which are relatively so large as to impair the figures for the current fiscal period, should be debited to this account. Other lap-over items should be debited to the appropriate operating revenue, operating expense, or other accounts in the current fiscal period.

NOTE B.—All entries in this account should be made in such detail as will indicate the operating revenue, operating expense, or other income accounts to which they relate.

PL 15. MISCELLANEOUS DEBITS.

This account should include amounts (not provided for elsewhere) transferred from Profit and Loss to other accounts, amounts written off in consequence of adjustments, and payments not properly chargeable to the income of the fiscal period for which the accounts are stated. Among the items which should be charged to this account are:

Adjustments or cancellations of old balance-sheet accounts (other than road and equipment).

Losses or deficits not properly chargeable to income (such as uncollectible bills for which no reserve has been provided).

Losses resulting from the sale of investment securities (such as stocks or bonds owned).

Losses resulting from the sale, destruction, or abandonment of property carried in balance-sheet account B 6 (a), "Miscellaneous Investments—Physical Property."

Losses resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value.

Discounts on stock remaining unextinguished at the time of its retirement.

Unextinguished discounts on funded debt retired before maturity.

CLASSIFICATION OF OPERATING REVENUES

FIRST ISSUE

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF STATISTICS AND ACCOUNTS,
Washington, June 3, 1907.

TO CARRIERS:

This classification of Operating Revenues, with the text pertaining thereto, is issued in accordance with an order of the Interstate Commerce Commission, a copy of which will be found immediately preceding this letter.

As indicating the purpose of this Classification, it will be observed that the primary accounts are so drawn as to show, first, the amount earned for the transportation of freight, upon which should be based the computation of revenue per ton per mile and of revenue per freight-train mile; second, the amount earned for the transportation of passengers, from which may be computed the revenue per passenger per mile; third, the amount earned from all transportation on passenger trains, from which may be computed the revenue per train mile; and, fourth, other revenue from transportation service, namely, switching revenue, special service train revenue, and miscellaneous transportation revenue. In addition to revenue from transportation, the Revenue Account includes eight additional primary accounts which cover revenue from services incident to transportation, the expenses incident to which are included in Operating Expenses.

The aggregate of the revenues covered by the nineteen (19) primary accounts listed in the Classification gives the "Total Operating Revenues" for the period under consideration, which amount being reduced by "Operating Expenses" leaves "Net Operating Revenues." If from "Net Operating Revenues" taxes be deducted, the remainder, called "Operating Income," will represent the amount with which the Income Account is properly begun. It should be especially noted that Taxes are not included in Operating Expenses, and should not be included when computing the ratio of Operating Expenses to Operating Revenues. The only charges in the nature of taxes included in the Operating Accounts are assessments for highways, sidewalks, sewers, and the like, which should be carried to

the appropriate accounts in Operating Expenses, Betterments, or Construction, as the case may require.

This Classification was worked out with the co-operation of the accredited representatives of the Association of American Railway Accounting Officers, and, with a few minor exceptions, embodies their recommendations relative to the proper classification of Operating Revenues.

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TEXT OF CLASSIFICATION OF OPERATING REVENUES

I. REVENUE FROM TRANSPORTATION

1. FREIGHT REVENUE

This account includes amounts earned by a carrier for the transportation of freight.

To this account should be credited a carrier's proportion of receipts for freight transportation; also overcollections made in excess of proper rates, such overcollections to be held subject to claim. To this account should be charged overcharges paid resulting from the use of erroneous rates, weights, or classification; amounts paid for switching charges absorbed; authorized allowances and localized freight arbitraries; also amounts paid for switching or to transfer companies for completing a haul or effecting store-door deliveries, when the cost of such service is included in the rate charged by the carrier; uncollected earnings on freight destroyed in transit and on short and lost freight; also uncollectible undercharges determined after delivery has been made.

2. PASSENGER REVENUE

This account includes amounts earned by a carrier for the transportation of passengers.

To this account should be credited a carrier's proportion of receipts from the sale of tickets (including tickets for corpses) and the collection of cash fares; also overcollections made in excess of determined rates, such overcollections to be held subject to claim. The account should be charged with amounts paid for fares refunded; tickets redeemed; also amounts paid for transferring passengers and baggage between stations or depots, except in cases where the transfer of both passengers and baggage is provided in the division of the through rate.

NOTE A.—Cash fare penalty collections made by conductors and the proportion of amounts collected on sale of mileage tickets and mileage credentials subject to refund should not be credited to Passenger Revenue.

NOTE B.—Passenger Revenue should be credited with interchangeable mileage tickets only as the mileage therefrom is honored for transportation. Receipts from interchangeable mileage books when sold should be credited to an open account, which account should be charged and Passenger Revenue credited as the mileage is honored.

NOTE C.—When a lessee company transports passengers over the tracks of another carrier on the basis of a proportion of revenues, it should include the entire compensation in its revenues and statistics, charging the appropriate joint facilities expense and rental accounts with the amount paid the lessor company, and the lessor company should credit the same accounts.

3. EXCESS BAGGAGE REVENUE

This account includes amounts earned by a carrier for the transportation of baggage in excess of free authorized allowances; also packages, articles, dogs, etc., usually transported in baggage cars, for which a charge is made. To this account should be charged all baggage refunds.

4. PARLOR AND CHAIR CAR REVENUE

This account includes amounts earned by a carrier in fares collected from passengers for seats in parlor, observation, chair and other special passenger cars operated by railway companies when the expenses of operating such cars are not separable from the expenses of operating trains. To this account should be charged authorized refunds and tickets redeemed.

NOTE.—When the expenses of operating cars of the above classes are separable from the expenses of operating trains, the operation of such cars should be treated as an "Outside Operation."

5. MAIL REVENUE

This account includes amounts earned by a carrier for the transportation of mails and for the use of railway post-office cars, special facilities, and bonuses for special mail transportation. To this account should be charged fines and penalties imposed by the Government when not collected from agents or employees.

6. EXPRESS REVENUE

This account includes amounts earned by a carrier for transportation and for facilities on trains and at stations incident to the transportation of express matter, not including the separate rents of offices at stations. (See account No. 18, "Rents of Buildings and Other Property.")

When a railway company transacts an express business through its regular railway organization, the earnings therefrom should be credited to this account.

7. MILK REVENUE (ON PASSENGER TRAINS)

This account includes amounts earned by a carrier for the transportation of milk and cream on passenger trains. To this account should be charged refunds and overcharges on milk and cream so carried.

8. OTHER PASSENGER-TRAIN REVENUE

To this account should be credited all amounts earned by a carrier incident to the operation of passenger trains not otherwise provided for.

9. SWITCHING REVENUE

This account includes amounts earned by a carrier for switching service performed on the basis of tariffs. To it should be charged all overcharges on such switching.

10. SPECIAL SERVICE TRAIN REVENUE

This account includes amounts earned by a carrier for running chartered trains, either on a basis of a rate per mile or a lump sum for the train; for handling circus or theatrical company trains under contract when specific amounts are charged for transportation between designated stations; for running chartered trains for the Federal or State governments carrying troops, munitions of war, camp outfits, etc. To this account should be charged refunds and overcollections on such business.

11. MISCELLANEOUS TRANSPORTATION REVENUE

To this account should be credited all amounts earned by a carrier from transportation not otherwise provided for.

II. REVENUE FROM OPERATIONS OTHER THAN TRANSPORTATION.

12. STATION AND TRAIN PRIVILEGES

This account includes a carrier's revenues from weighing, vending, and other automatic machines located at stations; from advertising at stations and on trains; from news companies or others for the privilege of operating news stands at stations and selling papers, periodicals, fruit, etc., on trains; from telephone companies for the privilege of installing and operating commercial telephones at stations; and from other similar sources.

13. PARCEL-ROOM RECEIPTS

This account includes a carrier's revenues from the operation of parcel rooms, the expenses of which are included in operating expenses.

14. STORAGE—FREIGHT

This account includes a carrier's revenues for storage of freight. To it should be charged authorized refunds.

15. STORAGE—BAGGAGE

This account includes a carrier's revenues for storage of baggage. To it should be charged authorized refunds.

16. CAR SERVICE

This account includes amounts accruing as penalties for delay in loading or unloading cars (demurrage). To it should be charged authorized refunds.

17. TELEGRAPH SERVICE

This account includes a carrier's revenues from commercial telegraph business transacted by it when the expense of transacting such business cannot be separated from the expense of conducting the railway telegraph service; amounts received from telegraph companies, whether proportion of earnings or otherwise, for the privilege of transacting a commercial telegraph business in offices along the carrier's lines, when the carrier furnishes some service of its employees whose wages are included in operating expenses.

NOTE.—When a telegraph company rents the telegraph line of a carrier and pays all expenses incident to its maintenance and operation, the rent received should be treated as Income.

18. RENTS OF BUILDINGS AND OTHER PROPERTY

This account includes a carrier's revenues from rents of buildings, land, and other property, such as depot and station grounds and buildings, union depots, general and other offices, rooms rented at stations, docks, wharves, ferry landings, elevators, stock yards, fuel yards, repair shops, section and other houses, etc., when such property is used in connection with operations and the expense of maintaining and operating it can not be separated from the expense of that portion used by the carrier.

19. MISCELLANEOUS

This account includes a carrier's revenues from operation not otherwise provided for; also collections from individuals and companies for the privilege of handling freight and passengers over a carrier's wharves and docks; amounts received from others for mooring and anchoring boats at such wharves and docks, and for water furnished them when the water plant is operated by the carrier; receipts from coal and ore docks, stock yards, and grain elevators when not treated as "Outside Operations"; amounts received as trackage for detouring trains; collections for the use of a carrier's bridge by pedestrians, street-car lines, vehicles, etc., when the expense of maintaining and operating such property can not be separated from the expense of that portion used by the carrier.

NOTE.—When a bridge of one carrier is used by another carrier and such use is paid for either on the basis of a flat rent or a charge per train mile, or a toll per passenger, per ton, or per car, the revenue therefrom should be credited to appropriate accounts.

CLASSIFICATION OF OPERATING EXPENSES.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF STATISTICS AND ACCOUNTS,
Washington, June 3, 1907.

TO CARRIERS:

The first revised issue of the Classification of Operating Expenses took effect July 1, 1894, and the second revised issue became effective July 1, 1901. The Classification herewith submitted will become effective July 1, 1907, and is issued in accordance with an order of the Interstate Commerce Commission, a copy of which will be found immediately preceding this letter.

It is eminently appropriate that public acknowledgment should be made to the Association of American Railway Accounting Officers, and to the standing and special committees appointed by that association, for their hearty co-operation in working out the details of this Classification. In no other way would it have been possible for the Commission to avail itself of that special knowledge and expert experience necessary for the successful accomplishment of the task undertaken. With one exception, the Classification of Operating Expenses herewith promulgated conforms to the recommendations of that association. This exception refers to the treatment of per diem and mileage payments between carriers on interchanged or loaned equipment, and, in view of the great variety of opinions expressed by railway accounting officers, as well as by certified accountants and others, relative to this point, it seems proper to submit an explanation of the reasons for the rules here promulgated. Before submitting that explanation, however, it may be proper to say a word relative to a new feature of this Classification, namely, the establishment of formal depreciation charges.

CONSIDERATION OF DEPRECIATION:

A number of points have been raised by correspondents relative to depreciation that call for the following general statements, all of which bear upon the manner in which depreciation accounts should be treated:

1. The question of depreciation is fundamentally a question of values, and not a question of maintaining the original capacity, or a standard of operating efficiency, or of keeping full the numbers in equipment series.

2. The depreciation rules may be worked either on the basis of the value of individual cars and locomotives, or on the basis of the value of series of cars and locomotives. On this point, accounting officers are at liberty, until advised to the contrary, to follow whichever method seems to them the more appropriate.

3. The basis of accumulation—that is to say, the amount to which the percentage rate is applied—ought, in strict theory, to be the original cost. For the current year, however, accounting officers are at liberty to accept original cost (estimated, if not known), record value, or purchase price. The term “record value” should not be interpreted to mean the value of the equipment as it stands in the capital account (unless that account represents the original value of the equipment on hand), but the actual cost or value of all equipment, regardless of where charged when purchased; and in case purchase price be accepted as the basis of the percentage charge to depreciation, the percentage rate should be limited to the rate required to replace the price paid. A second-hand locomotive, for example, is not called upon to provide for its replacement, when abandoned, by a new locomotive. As stated above, it is values and not locomotives with which depreciation charges deal.

4. The application of depreciation charges for the current year and subsequent years must not be influenced by the practice of years past. In case property has been appreciated by excessive charges to operating expenses in years past, the value thus placed in the property must be regarded as a permanent undivided asset to the stockholders. On the other hand, in case property has depreciated on account of insufficient charges to operating expenses in years past, this fact must not be permitted to influence the determination of the depreciation rate for the current year.

5. The monthly charges to operating expenses for “depreciation” on the several classes of equipment, will, of necessity, create or require corresponding liability accounts to which such depreciation may be credited. To that end, carriers will be required, beginning July 1, 1907, to set up an appropriate liability depreciation account for each of the several classes of equipment upon which depreciation is charged. These accounts should be designated as follows:

- (a) Locomotives—Replacement;*
- (b) Passenger-Train Cars—Replacement;
- (c) Freight-Train Cars—Replacement;
- (d) Electric Equipment of Cars—Replacement;
- (e) Floating Equipment—Replacement;
- (f) Work Equipment—Replacement.†

To these replacement accounts should be credited monthly the amount

* Including both steam and electric.

† Except locomotives.

of accrued depreciation on each class of equipment, respectively. Such credits should invariably equal the gross charges to maintenance for depreciation.

To these several replacement accounts under their appropriate heads should be charged, at cost, all equipment purchased, built, or otherwise acquired for the purpose of maintaining the value of a carrier's equipment.

The monthly charges to operating expenses for "renewals" of the several classes of equipment will be similarly treated.

It is not intended that these accounts should be restricted to individual cars or locomotives, or that carriers are not at liberty to renew or replace equipment upon which depreciation has accrued prior to the retirement of such equipment. On the other hand, the several amounts standing to the credit of those replacement accounts should be available to carriers for the purpose of replacement of equipment to the extent of such credits; however, all replacements in excess of such credits must be considered as Betterments or Additions, and charged either to Income or to Capital.

[The paragraphs treating of "Per Diem and Mileage Payments Between Carriers," have been omitted in accordance with the Commission's instructions in the Supplement to the Third Revised Issue, Classification of Operating Expenses, p. 11. "Hereafter such payments will be handled through the Income Account."]

To the end that uniformity of operating accounts may be maintained from year to year, carriers will be required to submit all questions of doubtful interpretation to this office for consideration and decision.

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NOTE.—The amended text of the I. C. C. bulletin "Classification of Operating Expenses" has been indicated in the following reprint by differences in type. *Eliminations* are designated by italics, the word or phrase so indicated being enclosed in brackets. **Additions** are designated by black face type. Case numbers follow the same usage as elsewhere in this book. Ordinary type signifies that the case referred to may be found in Accounting Bulletin No. 4 (Decisions upon Questions Raised under the Classification Prescribed by the I. C. C.). Italicized case numbers indicate that the cases appear in either one of the two supplementary bulletins, circulars 12*c* and 12*d*.

TEXT OF CLASSIFICATION OF OPERATING EXPENSES

I. MAINTENANCE OF WAY AND STRUCTURES

I.—SUPERINTENDENCE

This account includes:

PAY OF OFFICERS.—Pay of vice-president or assistant when directly in charge of maintenance of way and structures, chief engineer, assistant chief engineer, chief engineer maintenance of way, engineer maintenance of way, assistant engineer maintenance of way, engineer of bridges and buildings, principal assistant engineer, engineer right of way, architect, division engineer, assistant engineer, assistant division engineer, roadmaster, assistant roadmaster, master carpenter, assistant master carpenter, supervisor, assistant supervisor, fire and sanitary inspector, **pay of fire chiefs** and other officials engaged in the maintenance-of-way-and-structures department.

PAY OF CLERKS AND ATTENDANTS.—Pay of chief and other clerks, draftsmen, rodmen, transitmen, and chainmen, and attendants in offices and on special cars of officers whose pay is charged to this account.

OFFICE AND OTHER EXPENSES.—Rent and cost of repairing rented offices, rent and cost of telephone service, telegraph messages, heat, light, ice, water, furniture, and supplies for offices of officers whose pay is charged to this account; incidental office and traveling expenses of such officers and their clerks; cost of provisions for and expenses of special cars when used by them, and cost of running special trains for officials mentioned; premiums on fidelity bonds of such officers and their assistants; expenses of photographing buildings and structures.

Cost of drafting and engineering instruments and expenses of repairing same and cost of supplies (except stationery and printing) used by officers and employees whose pay is charged to this account; **subscriptions to newspapers and periodicals.**

The following is a list of the more important articles chargeable to this account:

Atlases,	Levels,	Slide rules,
Barometers,	Magnets,	Stakes
Books, scientific and reference,	Magnifiers,	Straightedges,
Boxes for blueprints,	Oilstones,	Tacks for drawing boards,
Boxes for drawing instruments,	Pantographs,	Tally registers,
Cameras, and supplies for,	Parallel rulers,	Tapelines,
Chains,	Periodicals,	Tee squares,
Compasses,	Plane tables,	Telescopes,
Curves,	Planimeters,	Thermometers,
Directories,	Plummets,	Tin boxes for tracings and prints,
Drawing boards,	Protractors,	Transits,
Drawing instruments,	Ranging poles,	Traverse tables,
Field glasses,	Reading glasses,	Triangles,
Keel,	Rods,	Tripods,
Level rods,	Scales,	Verniers.
	Section liners,	
	Sextants,	

NOTE A.—When employees enumerated above are engaged in work not chargeable to "Maintenance of Way and Structures," their pay and expenses should be charged to the specific work on which engaged.

NOTE B.—When officers and others above enumerated have supervision over other departments also, their salaries and expenses should be apportioned equally between the departments over which they have jurisdiction.

See Cases 37, 246, 262, 330, 534.

2.—BALLAST

This account includes all expenses incident to the purchase and production of ballast, as follows: Purchase price of gravel, stone, slag, cinders, sand, and other material used for ballast, including freight charges, if any and cost of first unloading; payments for gravel and quarry rights and privileges; expenses of sinking test holes; expenses of locomotives and work trains while engaged in delivering ballast at points where used.

When a gravel pit or quarry is to be opened, the operations of which are likely to extend over a long period, an account should be opened designated "Operations of Gravel Pit at ———," or "Operations of Quarry at ———," as the case may be.

To such account should be charged:

- (a) The excess cost of the land over its estimated value after the gravel or stone has been removed. (Such estimated value being charged to an appropriate capital account.) Also amounts paid for the right to enter upon and remove ballast from lands not owned by carrier.
- (b) The expenses for clearing, stripping, draining, and ditching the land and of moving and changing fences and buildings preparatory to opening.
- (c) The cost of rails and fastenings in excess of their estimated scrap value, used in constructing tracks to and in the gravel pit or quarry. (Such estimated scrap value to be carried in an appropriate material account.)
- (d) The total cost of ties and other material and of labor expended on such tracks.

- (e) Cost of labor and train service (see account "Roadway and Track") employed in producing, quarrying, and loading ballast, including operations of stationary engines, steam shovels, stone crushers, etc., and watchmen.
- (f) Repairs of stationary engines, steam shovels, stone crushers, and other similar machinery used in producing ballast.
- (g) Depreciation of machinery permanently used in gravel pits and quarries.
- (h) Cost of explosives, hand tools, and miscellaneous expenses.
- (i) **Cost of installing and operating interlocking and other signal apparatus at gravel pits.**

This "Operations of Gravel Pit" or "Operations of Quarry" account should be credited from month to month with the number of cubic yards used on the basis of the average cost of production, and account "Ballast" or other proper account charged. The average cost of production should be determined by dividing the total charge to the account of any pit or quarry by the estimated number of cubic yards it contains.

As stripping and other preparatory expenses are not always incurred in full before beginning to take out the gravel or stone, the cost of production should include an estimate of the total of such expenses.

NOTE A.—The cost of loading cinders at ash pits should be charged to account "Enginehouse Expenses—Yard" or account "Enginehouse Expenses—Road."

NOTE B.—The cost of labor putting ballast into track should be charged to account "Roadway and Track."

See Cases 39, 40, 106, 114, 158, 163, 230, 449, 297, 434, 467.

3.—TIES

This account includes cost (including inspection **and freight charges, if any**) of cross, switch, and bridge ties, head blocks and railway crossing timbers (plain or treated) for main and repair tracks, sidings, and spurs; in tunnels, stations, shop, and other yards; on piers, wharves, track scales, inclines, bridges, trestles, and culverts; to coal chutes, coal pockets, and fuel and water, stations (except on inclines to and in fuel stations; on tracks in ballast pits enginehouses, shops, and storehouses, and on transfer tables and turntables).

NOTE A.—The cost of labor unloading, distributing, and putting ties in track and the expenses of trains distributing ties should be charged to account "Roadway and Track."

NOTE B.—This account may include each month a proportion of the total amount authorized or approximated for renewals during the fiscal year regardless of the month in which the actual renewal is made.

See Cases 32, 40, 106, 157, 158, 162, 562.

4.—RAILS

This account includes cost (including inspection **and freight charges, if any**) of rails for main and repair tracks, sidings, and spurs; in tunnels, stations, shop and other yards; on piers, wharves, track scales, inclines, bridges, trestles, and culverts; in tracks to coal chutes, coal pockets, and fuel and water stations (except on inclines to and in fuel stations, on tracks

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TRAIN SERVICE.—Pay of work-train enginemen, trainmen, and enginehousemen; cost of fuel, stores, and other supplies for work-train locomotives and cars; **cost of oil for lubricating work-trains**; cost of oil and wicking used in lanterns of work-train enginemen and trainmen, while such employees and equipment are engaged in work pertaining to roadway and track.

Note.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the *Classification of Operating Expenses for Electric Railways* should be used.

See Cases 6, 38, 41, 157, 158, 245, 403, 443, 475, 460, 467.

7.—REMOVAL OF SNOW, SAND, AND ICE

This account includes the cost of removing snow, sand, and ice from tracks; pay of work-train enginemen, trainmen, and enginehousemen; cost of fuel, stores, and other supplies for work-train locomotives and cars; **cost of oil for lubricating work-trains**; cost of oil and wicking used in lanterns of work-train enginemen and trainmen while such employees and equipment are engaged in clearing tracks and hauling snow; wages paid men employed in shoveling snow and picking ice on tracks, and tools specially furnished them for this purpose, and their meals; fuel and stores used by rotary and other snowplows and other snow and ice clearing appliances and wages of men employed in operating them; cost of repairing snowplows (other than snowplow cars which are covered by account "Work Equipment—Repairs"), and flangers and the cost of putting them on and removing them from locomotives and cars, and cost of slatting pilots. Wages paid engineers, firemen, and trainmen held in readiness to go out with snowplows; payments for use of land on which to place snow fences, and for salt for keeping switches free from ice and snow. Cost of distributing and setting up portable snow fences and gathering them up and loading, hauling, and piling them along the road. (For repairs, see account "Snow and Sand Fences and Snow Sheds.")

8.—TUNNELS

This account includes cost of repairing tunnels, including the cost of timber and other material, false work, and special tools; pay of tunnel watchmen and cost of supplies used by them; repainting and whitewashing; oil and wicks, and repairs of lamps, lanterns, and electric light fixtures used in lighting. This account does not include renewals or repairs to roadway or tracks through tunnels.

See Cases 40, 106.

9.—BRIDGES, TRESTLES, AND CULVERTS

This account includes cost of material used (less salvage) and labor expended in repairing and renewing bridges, trestles, culverts (both substructure and superstructure), piers, abutments, masonry, and drainpipes, including repairs made necessary by washouts; retaining walls, riprapping, and dikes necessary to protect or strengthen bridges and culverts against ice, water, or drift; guards on bridges, framing ties for bridges; bridge signs or number boards; expenses of operating and rent of pile drivers and other

equipment engaged in repairing and renewing bridges and culverts; cost of cleaning channels under bridges and cleaning culverts; gravel decking for protection against fire, and altering and bracing bridges and trestles during progress of filling.

Cost of removing old bridges in connection with construction of new bridges, and constructing and removing temporary or false work used in repairing and renewing bridges and culverts.

Pay of bridge foremen and bridge watchmen, except at drawbridges, and cost of all supplies used by them, such as brooms, lanterns, oil, oil cans, pails, rowboats, tallow, waste, and water barrels, and fuel for heating bridge watch-houses; also repairs to and renewals of stationary engines at drawbridges.

Pay of bridge inspectors and expenses incident to bridge inspection.

Pay of work-train enginemen, trainmen, and enginehousemen, and of employees engaged in operating pile drivers; cost of fuel, stores, and other supplies for work-train locomotives and cars; **cost of oil for lubricating work-trains**; and of oil and wicking used in lanterns of work-train enginemen and trainmen while such employees and equipment are engaged on work pertaining to bridges and culverts.

NOTE A.—Any structure carrying the tracks over other tracks, a stream, highway, or canal should be considered a bridge or a culvert. The cost of maintaining structures carrying other tracks, canals, highways, etc., over a carrier's tracks should be charged to account "Over and Under Grade Crossings."

NOTE B.—This account may include each month a proportion of the total amount authorized or approximated for renewals during the fiscal year regardless of the month in which the actual renewal is made.

NOTE C.—Insurance recovered on bridges, trestles, and culverts should be credited to this account. **Insurance recovered for total destruction of bridges, trestles, and culverts should be credited to an appropriate suspense account, which account should be charged with the cost of replacement.** If the cost of replacement is in excess of the amount of insurance recovered, the excess should be charged to this account.

NOTE D.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the Classification of Operating Expenses for Electric Railways should be used.

See Cases 30, 31, 32, 38, 40, 106, 157, 158, 162, 392, 450.

10.—OVER AND UNDER GRADE CROSSINGS

This account includes cost of material used (less salvage) and labor expended in repairing and renewing overhead bridges and viaducts of all kinds (except station overhead footbridges not public highways), log chutes and rollways erected over the tracks of a carrier, and roadways of under-grade crossings, foot or wagon (except subways not public highways); cost of drainage and excavations for undergrade crossings; expenses of opening public roads for purposes of eliminating grade crossings.

11.—GRADE CROSSINGS, FENCES, CATTLE GUARDS, AND SIGNS

This account includes:

HIGHWAY GRADE CROSSINGS.—Cost of material used (less salvage) and labor expended in repairing and renewing street and road (including farm) crossings at grade, crossing drains, crossing gates, crossing signal bells, and

batteries with track instruments and connections; and warning signals; cost of water pipes, water and hose for sprinkling grade crossings; and payments of assessments for street repairs or sewers at crossings. (Street repairs or sewers within the limits of shop grounds or immediately adjacent to station buildings should be charged to account "Buildings, Fixtures, and Grounds.")

FENCES AND CATTLE GUARDS.—Cost of material used (less salvage) and labor expended in repairing and renewing right-of-way fences, cattle guards, wing fences, & irons, and hedges.

SIGNS.—Cost of yard-limit signs; subdivision boards; mile section, whistle, water station, water trough, slow, stop, and boundary posts; overhead bridge and tunnel cautions; monument stones, and all other roadway signs.

NOTE.—The cost of station and telegraph signs, fences, and hedges around building sites and shop grounds, and of paving sidewalks, streets, and driveways within the limits of or immediately adjacent thereto, should be charged to account "Buildings, Fixtures, and Grounds."

12.—SNOW AND SAND FENCES AND SNOWSHEDS

This account includes all expenses of repairing, renewing, and replacing permanent and portable snow and sand fences (except when the permanent fence takes the place of right-of-way fence, in which case the expense should be charged to the account "Grade Crossings, Fences, Cattle Guards, and Signs"), snowsheds, including necessary rock filling, and cost of protecting from fire; pay of snowshed watchmen and cost of supplies used by them, cost of planting and caring for trees to protect track from snow.

NOTE.—The cost of distributing and setting up portable snow fence panels, and gathering, loading, hauling, unloading, and piling should be charged to account "Removal of Snow, Sand, and Ice."

13.—SIGNALS AND INTERLOCKING PLANTS

This account includes:

INTERLOCKING PLANTS.—Cost of material used (less salvage) and labor expended in repairing and renewing the buildings and all appliances of interlocking plants, power interlocking plants, and all machinery such as air compressors, levers, boilers, dynamos, engines, and machinery and fixtures used in connection therewith.

SIGNALS.—Cost of material used (less salvage) and labor expended in repairing and renewing block, automatic, and semiautomatic signals.

OTHER EXPENSES.—Cost of material used (less salvage) and labor expended in **bonding rails**, repairing and renewing home and distant signals, signal posts, signal bridges, semaphores, train-order signals or order boards, and flag-station signals, gates at crossings of other railways, and all other road or track signals not provided for above, used in the government of the movement of trains, including signal lamps and their connections. Pay of signal engineers and supervisors of signals and their assistants, their office and

traveling expenses; also pay of mechanics and laborers and cost of special tools while engaged in repairing and renewing interlocking plants and signals.

NOTE.—This account does not include the cost of maintaining and renewing track material proper required in connection with interlockers, such as switches, special track fastenings, split rails, frogs, etc., which costs should be charged to account "Other Track Material."

See Cases 39, 42.

14.—TELEGRAPH AND TELEPHONE LINES

This account includes:

TELEGRAPH.—Cost of material used (less salvage) and labor expended in repairing and renewing telegraph lines owned by a carrier, or for which it is responsible; also cost of conduits, poles, cross-arms, wire, insulators, cables, cable boxes, instruments, battery jars, switchboards, and all other appurtenances forming a part of the plant; **cost of oil for lubricating work-trains.** Pay of chief line repairmen, linemen, and other employees, and cost of special tools used by them; also pay, office and traveling expenses of superintendent and assistant superintendent of telegraph, their clerks and attendants.

TELEPHONE.—All expenses similar to the above, incurred in connection with telephone lines, and telephone boxes on telegraph and telephone poles.

Pay of work-train enginemen, trainmen, and enginehousemen, and other employees, cost of fuel, stores, and other supplies for work-train locomotives and cars and of oil and wicking used in lanterns of work-train enginemen and trainmen, while such employees and equipment are engaged on work pertaining to telegraph and telephone lines.

NOTE A.—The salaries and expenses of superintendents and assistant superintendents of telegraph and their clerks when engaged in both maintaining and operating telegraph and telephone lines should be charged 50 per cent to account "Telegraph and Telephone Lines," and 50 per cent to account "Telegraph and Telephone—Operation."

NOTE B.—This account may include each month a proportion of the total amount authorized or approximated for renewals during the fiscal year, regardless of the month in which the actual renewal is made.

15.—ELECTRIC POWER TRANSMISSION

This account includes cost of material used (less salvage) and labor expended in repairing and renewing all appliances for transmitting power from power houses and substations to the place where it is to be applied; covers span, guard, feed, and overhead trolley wires, poles, cross-arms, brackets, insulators and connections, third rail, including braces, supports, and devices for insulating, covering, or protecting; bonding rails, including connecting plugs, insulating mats, plugs, or other devices; switchboards, switches, cut-outs, transformers, etc. (except at power and substations); pay of electricians, mechanics, and other employees engaged in repairing and renewing electric power transmission lines; also pay of work-train motormen, enginemen, trainmen, and enginehousemen, and other employees, and cost of fuel, electric current, stores, and other supplies for work-train locomotives and cars, and of oil and wicking used in lanterns of work-train enginemen and

trainmen while such employees and equipment are engaged on work pertaining to electric power transmission lines.

Note.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the *Classification of Operating Expenses for Electric Railways* should be used.

16.—BUILDINGS, FIXTURES, AND GROUNDS

This account includes all expenses incident to repairing and renewing buildings owned by a carrier and used in its operations (not otherwise provided for herein) and maintaining driveways and grounds connected therewith, as follows:

BUILDINGS.—Cost of material used (less salvage) and labor expended in repairing and renewing buildings and platforms; also station subways and station overhead footbridges not public highways and stairways for approaches to stations; and in painting, glazing, graining, varnishing, papering, cal-cimining, and decorating buildings; signs on buildings; building permits; cost of land for buildings when chargeable to expenses; removing old structures, and removing snow from roofs of buildings; **payments to municipalities and others for fire protection.**

The following is a list of the more important structures classified as buildings:

Air-compressing houses,
Baggage rooms,
Bins for material,
Boarding houses,
Breakwaters for protection
of buildings,
Buildings and rooms for
trainmen,
Buildings on piers,
Carpenter shops,
Car sheds,
Coal chutes,
Coal chute, enginehouse,
Coal chute, inclines (includ-
ing tracks thereon),
Coal hoists,
Coaling platforms,
Dry houses,
Dwellings,
Eating houses,
Elevators,
Enginehouses,
Express buildings,
Fire-engine houses,
Foundries,
Fuel houses or stations,
Gas-compressing houses,
General offices,
Grain cribs,
Grain elevators,

Grain warehouses,
Greenhouses,
Hand-car houses,
Hay houses,
Hose houses,
Houses for oil and lanterns,
used by trainmen,
Ice houses
Laboratories,
Lumber sheds
Mail cranes,
Milk stands,
Offices,
Offices, general,
Oil houses,
Outhouses,
Planing mills,
Platforms, passenger,
Platforms, freight,
Platforms—shop and yard,
Power houses,
Power houses for electric
traction lines,
Pump houses,
Reading rooms,
Repair shops,
Rest houses,
Rooms for Y. M. C. A.,
Roundhouses,
Sand houses,

Scale houses,
Scrap bins,
Section houses, dwelling,
Shops, blacksmith,
Shops, car,
Shops, machine,
Stables,
Station platforms,
Station signs
Station subways,
Station stairways,
Stations, freight,
Stations, passenger,
Stock pens
Storehouses,
Switch-tender houses,
Tanks, gas,
Tanks, oil,
Tanks, water,
Telegraph offices,
Test rooms,
Tool houses,
Track scales,
Transfer houses
Waiting rooms,
Warehouses,
Wash rooms,
Watchhouses,
Water stations.

FIXTURES.—Cost of fixtures (less salvage), such as bunks, counters, file cases, ice chests, railings, shelving, washbowls, water coolers, etc., when

immovable and built in as a part of the structure; also cost of repairing and renewing such fixtures.

MACHINERY.—Cost of material used (less salvage) and labor expended in repairing and renewing machinery and structures (except tools and machinery chargeable to accounts “Signals and Interlocking Plants,” “Shop Machinery and Tools,” and “Power Plant Equipment”) used in connection with buildings, such as air compressors, armatures, and fields, ash buckets, ash hoists, belting, boilers, chutes, cisterns, coal buckets, coal buggies, coal pockets, cranes, derricks, dump cars for fuel plants, dynamos and parts, fire engines, fire extinguishers, fire hose, gas pumps, hoists, hose carts, hose reels, hydrants, hydraulic rams, pipe lines, pumps, sand driers, scales for weighing fuels, screens, shafting, standpipes, stationary engines, steam pipes, switchboards and parts (except telegraph and telephone), tipples, track tanks, trestles, water troughs, windmills, and wood racks.

OTHER EXPENSES.—Cost of material used (less salvage) and labor expended in repairing and renewing transfer tables and turntables, including tracks thereon, cinder pits, drop pits, tracks in enginehouses, shops, and storehouses and on inclines of fuel stations, framework for shafting, foundations for machinery, and stationary scales of all kinds, including foundations, platforms, supports for dead rails, beams, weights, and all fixtures and appurtenances; also the cost of draining scale pits and testing and inspecting scales; expense of protecting pipes, and of drilling, testing, and prospecting for water supply, and payments for permanent water rights.

Cost of material used (less salvage) and labor expended in repairing and renewing stationary fixtures used in connection with heating and lighting buildings; such as arc lamps, chandeliers, electric-light fixtures, electric-light wiring, electroliers, furnaces, gas burners, box lamps at stations, lamps when permanently attached to buildings, pipes, radiators, and registers.

Cost of repairing and renewing stationary fixtures used for supplying buildings with water, or for draining; water pipes, water-closets, and washstands; freight and passenger elevators; piping, hydrants, and other permanent fixtures for cleaning, heating, and lighting cars; ore and coal conveyors; cleaning sewers, framing cross-ties for water troughs, protection against fire, such as water mains and fire plugs; also protecting buildings and grounds against floods and washouts by means of walls and embankments.

GROUNDS.—Cost of material used (less salvage) and labor expended in repairing and renewing fences, hedges, walls, sidewalks, and streets within the limits of shop grounds, or immediately adjacent to buildings, not provided for elsewhere; fences between tracks at stations; and driveways and alleys used for receipt or delivery of passengers or freight at stations or in yards; dams, ponds, reservoirs, and wells. Payments of assessments for street repairs, sewers, or other public improvements affecting building sites and shop grounds. Cost of laying out, cleaning (except ordinary cleaning performed by station cleaners), grading, draining, mowing, and beautifying shop and station grounds, and landscape gardening (including cost of plants

at such grounds); also cost of trees and shrubs, and of maintaining and operating nurseries. Pay of subdivision foremen, work-train enginemen, trainmen, and enginehousemen, and of employees engaged in operating steam shovels, scrapers, pile drivers, and ditchers; cost of fuel, stores, and other supplies for work-train locomotives and cars; **cost of oil for lubricating work-trains**, and oil and wicking used in lanterns of work-train enginemen and trainmen, while such employees and equipment are engaged on work pertaining to buildings and grounds.

NOTE A.—This account may include each month a proportion of the total amount authorized or approximated for renewals during the fiscal year regardless of the month in which actual renewal is made.

NOTE B.—Insurance recovered on buildings, fixtures, and grounds should be credited to this account. **Insurance recovered for total destruction of buildings and fixtures should be credited to an appropriate suspense account, which account should be charged with the cost of replacement. If the cost of replacement is in excess of the amount of insurance recovered, the excess should be charged to this account.**

NOTE C.—This account should not include costs of repairing and renewing buildings, fixtures, and grounds, the operations of which are included in "Outside Operations."

See Cases 12, 30, 31, 32, 40, 44, 106, 178, 180, 305, 459, 537,

17.—DOCKS AND WHARVES

This account includes cost of material used (less salvage) and labor expended in repairing and renewing docks, wharves, piers, and other landings, ferry slips, transfer bridges, **and machinery used in connection therewith**, pontoons, slips, bulkheads, jetties, and inclines thereto, including filling, strengthening, bracing, and painting; expenses of operating pile drivers, tugs, barges, and floats, while engaged on such work.

Cost of dredging about docks, piers, bulkheads, and ferry slips, or for approaches to such properties, and removing material dredged out; expenses of operating dredges, mud scows, barges, and floats, and pay of crews, divers, and pilots while engaged on such work; cost of crib work, racks, or caissons constructed for preserving the depth of water secured by dredging; cutting ice around docks and wharves to prevent damage; guard and other piling and protection from damage by drift or ice; also pay of supervisors of docks and wharves.

Pay of work-train enginemen, trainmen, and enginehousemen, and of employees engaged in operating pile drivers, dredges, and tugboats; cost of fuel, stores, and other supplies for work-train locomotives and cars; **cost of oil for lubricating work-trains**, and of oil and wicking used in lanterns of work-train enginemen and trainmen, while such employees and equipment are engaged on work pertaining to docks and wharves.

NOTE A.—Cost of maintenance of tracks, [and] buildings **and machinery on docks [and] wharves and other structures enumerated in this account** should be charged to other appropriate accounts herein provided, **except machinery used in connection with ferry slips and transfer bridges.**

NOTE B.—This account should not include costs of repairing and renewing docks and wharves the operations of which are included in "Outside Operations."

18.—ROADWAY TOOLS AND SUPPLIES

This account includes cost of roadway tools when chargeable to expenses (except tools otherwise provided for) and cost of all material used (less salvage), and labor expended in repairing and renewing all tools, implements, flags, and lanterns used in repairing roadway, tracks, interlocking plants, and signals, electric traction lines, fences, road crossings, signs, telegraph lines, bridges, culverts, buildings, and other structures.

Cost of oil, waste, or like material used on hand cars and hand trucks, oil and wicking used in lanterns of track walkers, track watchmen, or patrolmen; ice and oatmeal for drinking water of track repair men; and heating and lighting subdivision tool houses.

The following is a list of the more important roadway tools chargeable to this account:

Adzes,	Handles, ax,	Saws, hand,
Anvils,	Handles, hatchet,	Scrap boxes,
Augers,	Handles, maul,	Scythes,
Axes,	Handles, pick,	Shovels,
Ballast, forks	Hatchets,	Shovels, coal,
Bars, claw,	Hoes,	Shovels, railroad,
Bars, crow,	Hydraulic outfits,	Sickles,
Bars, lining,	Jack levers,	Signal lanterns,
Bars, pinch,	Jacks, hydraulic,	Sledges,
Bars, raising,	Jacks, ratchet,	Spades,
Bars, tamping,	Jacks, screw,	Spike mauls,
Braces and bits,	Kegs, water,	Spike pullers,
Brooms,	Lanterns and fixtures,	Spot boards,
Brush hooks,	Lawn mowers,	Squares,
Cables,	Levels,	Straightening machines,
Cable stretchers,	Lines for ditching,	Stone drills,
Cans, oil,	Lines, tape,	Switch keys,
Cans, water,	Nippers,	Switch ropes (when used in
Cant hooks,	Oilstones,	repairing roadway),
Cars, hand,	Padlocks,	Tapelines,
Cars, lever,	Pails, water,	Thermometers for laying rail,
Cars, motor inspection,	Paint brushes,	Timber trucks,
Cars, push,	Picks, clay,	Tongs,
Chains,	Picks, tamping,	Tool boxes,
Chisels, track,	Pike poles,	Torches,
Curbing hooks,	Pile drivers, not on cars,	Track gages,
Dippers,	Plows,	Track jacks,
Drawing knives,	Post-hole diggers,	Track levels,
Drill bits,	Post-hole tampers,	Velocipedes,
Drills,	Punches,	Vises,
Engines, hoisting,	Rail benders,	Weed spuds,
Flags, signal,	Rail tongs,	Wheelbarrows,
Furnaces, portable,	Rail unloaders,	Whetstones,
Grindstones,	Rakes,	Wood chisels,
Hammers, napping,	Ratchet drills,	Wood mallets,
Hammers, paving,	Rock crushers,	Wrenches, monkey,
Hammers, spiking,	Rope,	Wrenches, track.
Handles, adz,	Saws, crosscut,	

See Cases 299, 318, 388, 459, 464, 480, 508.

[WORK EQUIPMENT—REPAIRS.]*

[WORK EQUIPMENT—RENEWALS.]*

[WORK EQUIPMENT—DEPRECIATION.]*

* These primary accounts are transferred to the general account "Maintenance of Equipment", where they appear as primary accounts Nos. 43, 44, and 45

19.—INJURIES TO PERSONS

This account includes all expenses incident to injuries to persons when caused directly in connection with maintenance of way and structures; proportion of salaries and expenses of physicians and surgeons, expenses of undertakers, nursing and hospital attendance, medical and surgical supplies, artificial limbs, funeral expenses, railway and carriage fares for conveying injured persons and attendants; also proportion of pay and expenses of claim adjusters and their clerks, and pay and expenses of employees and others called in consultation in relation to the adjustment of claims coming under this head; **pay and expenses of employees and others while attending coroner's inquests or engaged as witnesses in law suits in connection with personal injury cases.**

NOTE A.—[*Witness fees and other expenses*], **expenses not otherwise provided for in connection with the conduct of suits should be charged to account "Law Expenses," but the amount of final judgments including plaintiffs' court costs, should be charged to this account.**

NOTE B.—When contributions are made to hospitals, the total thereof should be distributed to the several "Injuries to Persons" accounts as follows: 25 per cent to "Maintenance of Way and Structures," 25 per cent to "Maintenance of Equipment," and 50 per cent to "Transportation Expenses."

NOTE C.—The pay and expenses of claim adjusters, clerks, chief surgeons, and others whose pay can not be actually allocated to any case should be divided equally between personal injury and other claims over which they have jurisdiction.

See Cases 4, 34, 155, 164, 165, 304, 310, 419, 526, 532.

20.—STATIONERY AND PRINTING

This account includes the cost of stationery, stationery supplies, printing, books, and blank forms used in connection with "Maintenance of Way and Structures." (Dictionaries, periodicals, technical books, etc., should be charged to account "Superintendence.")

The following is a list of the more important items chargeable to this account:

Adding machines,	Computing tables,	Inkstands,
Addressographs and supplies,	Copy (impression) books,	Invoice books,
Arm rests,	Copying brushes,	Legal-cap paper,
Binders,	Copying presses,	Letter paper,
Blank books,	Crayons,	Manifold paper,
Blank cards,	Cross-section books,	Manifold pens,
Blank forms,	Cross-section paper,	Mimeographs,
Blank paper,	Cyclostyles,	Mucilage,
Blank tablets,	Dating stamps and ribbons,	Mucilage brushes,
Blotters,	Drawing paper,	Neostyles,
Blotting paper,	Duplicators,	Note paper,
Blue print paper,	Electric pens,	Notices,
Books for field notes,	Envelopes,	Numbering stamps,
Bristol board,	Erasers, rubber and steel,	Oil paper,
Calculating machines,	Eyelets,	Orders,
Calendars,	Eyelet punches,	Paper,
Caligraphs,	Forms,	Paper baskets,
Carbon paper,	Glass pens,	Paper clips,
Cardboard,	Hektographs,	Paper cutters,
Cards,	Indexes,	Paper fasteners,
Circulars,	Ink for writing and drawing,	Paper files,
		Paper weights,

Papyrographs,
Parchment paper,
Pencils for writing and
drawing,
Pencil sharpeners,
Pens for writing and
drawing
Penholders,
Penracks,
Pins,
Postage,
Printed cards,
Printed tablets
Profile books and paper,

Punches (not conductors' or
baggage men's),
Rubber bands,
Rubber stamps,
Rulers,
Ruling pens,
Scrap books,
Sealing wax,
Seals,
Shears,
Shipping tags,
Shorthand notebooks,
Sponges,
Sponge cups,
Stamps, impression,

Stylographs,
Tablets,
Tape,
Telegraph blanks,
Tissue (impression) paper,
Tracing cloth,
Tracing paper,
Twine,
Typewriters and ribbons,
Wastebaskets,
Water colors,
Water holders,
Wage tables,
Wrapping paper,
Wringers for copying presses.

See Cases 154, 155.

[INSURANCE]*

21.—OTHER EXPENSES

This account includes all expenses in connection with maintenance of way and structures not properly chargeable to other "Maintenance of Way and Structures" accounts.

See Case 616.

22.—MAINTAINING JOINT TRACKS, YARDS, AND OTHER FACILITIES—DR.

This account includes a carrier's proportion of costs incurred to maintain joint tracks, yards, terminals, and other facilities maintained by other companies.

NOTE.—The purpose of this account is to show the amounts accruing against a carrier for its proportion of the expense of maintaining joint tracks, yards, and other way and structure facilities maintained by other companies, but in the joint use of which a carrier participates. The bill rendered by any creditor against a debtor for the latter's proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

See Cases 46, 116, 117, 120, 121, 159, 161, 258, 268, 295.

23.—MAINTAINING JOINT TRACKS, YARDS, AND OTHER FACILITIES—CR.

This account includes the proportion of costs to maintain joint tracks, yards, terminals, and other facilities maintained by a carrier chargeable to other companies.

NOTE.—The purpose of this account is to show the amounts accruing in favor of a carrier against other companies for their proportion of the expense of maintaining joint tracks, yards, and other way and structure facilities maintained by a carrier, but in the joint use of which other companies participate. The bill rendered by any creditor against a debtor for the latter's proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

See cases 46, 116, 117, 120, 121, 159, 161, 258, 268, 295.

* This account is eliminated, cost of all insurance to be charged to primary account No. 110, "Insurance," under general account "General Expenses."

II. MAINTENANCE OF EQUIPMENT

24.—SUPERINTENDENCE

This account includes:

PAY OF OFFICERS.—Pay of vice-president or assistant when directly in charge of equipment, general superintendent of motive power, assistant to general superintendent of motive power, mechanical superintendent, superintendent of motive power, mechanical engineer, assistant mechanical engineer, chief chemist, engineer of tests, assistant engineer, supervisor of car department, electrical engineer, assistant electrical engineer, chemist, assistant chemist, master car builder, master mechanic, general foremen, chief car inspector, traveling boiler inspector, general car inspector, and other officials engaged in the maintenance-of-equipment department.

PAY OF CLERKS AND ATTENDANTS.—Pay of chief motive power clerk, chief and other clerks, motive power clerks and their assistants, shop clerks, draftsmen, and attendants in offices and on special cars of officers whose pay is charged to this account.

OFFICE AND OTHER EXPENSES.—Rent and cost of repairing rented offices, rent and cost of telephone service, telegraph messages, heat, light, ice, water, furniture, and supplies for offices of officers whose pay is charged to this account; incidental office and traveling expenses of such officers and their clerks; cost of provisions for and expenses of special cars when used by them, and cost of running special trains for officials mentioned; premiums on fidelity bonds, and dues of such officers and their assistants for membership in master mechanics' and master car builders' associations.

Cost of drafting and engineering instruments and expenses of repairing them; also cost of supplies (except stationery and printing) used by officers and employees whose pay is charged to this account, such as atlases, barometers, books, scientific and reference, boxes for blue prints, boxes for drawing instruments, cameras and supplies therefor, compasses, surveys, directories, drawing boards, drawing instruments, field glasses, magnifiers, oilstones, pantographs, parallel rulers, periodicals, plane tables, planimeters, reading glasses, scales, slide rules, straightedges, tacks for drawing boards, tape-lines, tee squares, telescopes, thermometers, tin boxes for tracings and prints, triangles, tripods, and verniers. **Subscriptions to newspapers and periodicals.**

NOTE A.—When employees enumerated above are engaged on construction or other work not chargeable to "Maintenance of Equipment," their pay and expenses should be charged to the specific work on which engaged.

NOTE B.—When officers and others above enumerated have supervision over other departments also, their salaries and expenses should be apportioned equally between the departments over which they have jurisdiction.

See Cases 248, 264, 330, 534,

25.—STEAM LOCOMOTIVES—REPAIRS

This account includes cost of material used (less salvage) and labor expended in repairing steam locomotives and tenders, and fixtures thereof (except as otherwise provided for); such as air signal equipment, including hose, arm rests, awnings, brake fixtures, cab and steam-gage lamps, cab cushions, clocks, coal boards, fire extinguishers permanently attached to locomotives, gongs, head lamps, pneumatic sanding equipment, seat boxes, speed recorders, **metallic packing**, steam and other power brakes, steam-heat appliances, including hose and all other appliances of like nature, storm doors, tool boxes; **cost of repairs to the locomotive feature of motor cars (other than electric) engaged in revenue service**; also cost of supervision; pay of locomotive inspectors engaged in inspecting all parts of locomotives and tenders (except pay of smokestack and ash-pan inspectors, which should be charged to account "Enginehouse Expenses—Yard" or "Enginehouse Expenses—Road"), pay of employees engaged in sponging tender, driving and truck boxes of locomotives undergoing repairs in shops (but pay of employees similarly engaged on locomotives not undergoing repairs in shops should be charged to account "Enginehouse Expenses—Yard" or "Enginehouse Expenses—Road"), and cost of cutting up condemned locomotives and tenders; small hand tools used exclusively in locomotive repairs; special service, such as bringing locomotives to shops or watching them while on the way to shops for repairs, and trying locomotives after having been repaired; traveling expenses of employees whose pay is chargeable to this account; and payments of royalties, or for patent rights on brakes, brake fixtures, and other appliances used on locomotives; also proportion of shop expenses as provided in Note following account "Other Expenses."

The value of old material released during repairs and insurance recovered should be credited to this account.

NOTE A.—The word "repairs" as here used includes all repairs on or renewals of parts of locomotives and tenders commonly known as steam-locomotive fixtures or attachments, and classified as running or roundhouse repairs; also repairs to or renewals of the more important or vital parts of locomotives and tenders, the necessity for which is caused by breakage, failure, or accident while in service; also the repairs to a steam locomotive or tender damaged through accident or otherwise, necessary to restore it to service; and also renewals of important or vital parts made necessary by reason of age or wear and tear from use.

NOTE B.—The cost of repairing steam locomotives and tenders of foreign lines way-billed as freight, damaged in transit, should be charged to account "Loss and Damage—Freight," and the cost of repairing steam locomotives of foreign lines having trackage rights over a carrier's line damaged in collision or wreck for which a carrier is liable should be charged to account "Damage to Property."

See Cases 53, 54, 76, 147, 256, 391, 399, 420,

26.—STEAM LOCOMOTIVES—RENEWALS

This account includes the original cost (estimated, if not known), record value, or purchase price of all steam locomotives condemned, destroyed, or sold, less:

(a) Amount previously charged for depreciation up to date of retirement;

(b) Scrap value of salvage or the amount received from sale of steam locomotives retired.

NOTE A.—Steam locomotives permanently retired from service, but held, pending disposition, should be written out of service through this account, and carried in an appropriate material account at a nominal valuation, or at actual scrap value, if determinable.

NOTE B.—The term "record value" should not be interpreted to mean the value of equipment as it stands in the capital account, unless that account represents the original value of the equipment on hand.

See Case 351.

27.—STEAM LOCOMOTIVES—DEPRECIATION

[This account includes a monthly charge of one-twelfth ($\frac{1}{12}$) of ' per cent per annum of the original cost (estimated, if not known), record value, or purchase price of steam locomotives, to provide a fund for replacement when retired.]

This account includes a monthly charge representing depreciation on steam locomotives. This monthly charge should be computed at a certain rate per cent on the original cost (estimated, if not known), record value, or purchase price of such steam locomotives. Charges should be made to this account during the life of the steam locomotives, except in cases of steam locomotives, which attain to greater than a normal life; in such a case charges should cease when the difference between the original cost, record value, or purchase price and the estimated scrap value shall have been charged to this account. In case of steam locomotives prematurely retired, charges to this account should cease with the charges for the month in which such retirement occurs. The sum of the monthly charges during any fiscal year should equal the estimated depreciation during that year.

NOTE A.—When steam locomotives are prematurely retired, the value (less salvage) not previously taken up through charges to this account should be charged, in the accounts for the months in which retired, to Account No. 26, "Steam Locomotives—Renewals," as provided in the text therefor.

NOTE B.—The sum of the monthly charges to this account should equal the value lost through depreciation in respect to a particular steam locomotive, and together with the charge to "Steam Locomotives—Renewals" and value of salvage or amount received from sale, should provide a reserve for replacement of the steam locomotive when retired.

See Cases 49, 420

28.—ELECTRIC LOCOMOTIVES—REPAIRS

This account includes all costs analogous to those set forth under the account "Steam Locomotives—Repairs."

NOTE A.—The word "repairs" as here used includes all repairs to or renewals of parts of electric locomotives commonly known as fixtures or attachments, and classified as running or roundhouse repairs; also repairs to or renewals of the more important or vital parts of electric locomotives, the necessity for which is caused by breakage, failure, or accident while in service; also repairs to an electric locomotive, damaged through accident or otherwise, necessary to restore it to service; and also renewals of important or vital parts made necessary by reason of wear and tear from use.

NOTE B.—The cost of repairing electric locomotives of foreign lines waybilled as freight, damaged in transit, should be charged to account "Loss and Damage—Freight," and the cost of repairing electric locomotives of foreign lines having trackage rights over a carrier's line damaged in collision or wreck for which a carrier is liable should be charged to account "Damage to Property."

See Cases, 147 256.

29.—ELECTRIC LOCOMOTIVES—RENEWALS

This account includes the original cost (estimated, if not known), record value, or purchase price of all electric locomotives condemned, destroyed, or sold, less:

- (a) Amount previously charged for depreciation up to date of retirement;
- (b) Scrap value of salvage or the amount received from sale of electric locomotives retired.

NOTE A.—Electric locomotives permanently retired from service, but held, pending disposition, should be written out of service through this account, and carried in an appropriate material account, at a nominal valuation or at actual scrap value, if determinable.

NOTE B.—The term "record value" should not be interpreted to mean the value of equipment as it stands in the capital account, unless that account represents the original value of the equipment on hand.

30.—ELECTRIC LOCOMOTIVES—DEPRECIATION

[This account includes a monthly charge of one-twelfth ($\frac{1}{12}$) of per cent per annum of the original cost (estimated, if not known), record value, or purchase price of electric locomotives to provide a fund for replacement when retired.]

This account includes a monthly charge representing depreciation on electric locomotives. This monthly charge should be computed at a certain rate per cent on the original cost (estimated, if not known), record value, or purchase price of such electric locomotives. Charges should be made to this account during the life of the electric locomotives, except in cases of electric locomotives which attain to greater than a normal life. In such a case charges should cease when the difference between the original cost, record value, or purchase price and the estimated scrap value shall have been charged to this account. In case of electric locomotives prematurely retired charges to this account should cease with the charges for the month in which such retirement occurs. The sum of the monthly charges during any fiscal year should equal the estimated depreciation during that year.

Note A.—When electric locomotives are prematurely retired, the value (less salvage) not previously taken up through charges to this account should be charged, in the accounts for the months in which retired, to Account No. 29, "Electric Locomotives—Renewals," as provided in the text therefor.

Note B.—The sum of the monthly charges to this account should equal the value lost through depreciation in respect to a particular electric locomotive, and together with the charge to "Electric Locomotives—Renewals" and value of salvage or amount received from sale, should provide a reserve for replacement of the electric locomotive when retired.

See Case 49.

31.—PASSENGER-TRAIN CARS—REPAIRS

This account includes cost of material used (less salvage) and labor expended in repairing, painting, varnishing, finishing, and lettering railway passenger-train cars of all classes (see "Note A" under this account), and cost of repairing and renewing furniture and fixtures thereof, such as brake gear, carpets, cases, chairs, coal boxes, coat hooks, curtains, cushions, electric bells, ice boxes, ice tanks, lamp canopies, lamps (except signal or train), linoleum, mail catchers, mats, matting, pigeonholes, racks, ranges, rugs,

signal and bell cord hangers, speed recorders, stoves, tiles, water tanks; cost of material used and labor expended in cleaning or scrubbing preparatory to painting; scraping and burning off old paint; reupholstering seats and chairs; rewiring, repairing, and renewing curtains and fixtures; cost of electric-lighting fixtures permanently attached to cars; gas tanks, gas gages, and gas, oil, and carburetor lamps; piping and other permanent fixtures used in gas lighting; all appliances used in carburetor lighting permanently attached to and forming part of a car; steam pipes, radiators, and other permanent appliances for heating cars, including steam-heat, hose, **cost of repairs to the car feature of motor cars engaged in passenger service**; also cost of supervision; pay of car inspectors while engaged in inspecting passenger-train cars, and cost of cutting up such cars when condemned; also repairs made to passenger-train cars of foreign lines in service of a carrier for which it is responsible. Cost of testing air brakes; material used by car inspectors and car repair men while engaged in inspecting and making light repairs to cars at stations, yards, and elsewhere. Cost of small hand tools used exclusively in inspecting and repairing passenger-train cars; traveling expenses of employees whose pay is chargeable to this account, and payments of royalties, or for patent rights on brakes, brake fixtures, and other appliances used on passenger-train cars; payments to foreign lines for passenger-train cars belonging to such lines destroyed on the line of a carrier while in its service; also proportion of shop expenses as provided in Note following account "Other Expenses."

The value of old material released during repairs, insurance recovered, and repayments from other roads, should be credited to this account.

The cost of [*repairing special features of passenger-train*] **general or shop repairs of cars**, the operations of which are treated as "Outside Operations," should not be charged to this account.

NOTE A.—The following cars are classified as passenger-train cars:

Air-brake instruction,	[<i>Dining</i>],	Passenger,
Baggage,	Emigrant,	Passenger—baggage—mail,
Baggage—express,	Express,	Pay,
Baggage—mail,	Library,	Postal,
[<i>Buffét</i>],	Mail,	Refrigerator—express,
Business,	Milk,	Smoking,
[<i>Café</i>],	Observation,	Street,
Chair,	Officers,	[<i>Tourist</i>].
Colonist,	[<i>Parlor</i>],	
Combination passenger and baggage,	[<i>Parlor—baggage</i>],	

NOTE B.—The word "repairs" as here used includes all repairs to or renewals of parts of passenger-train cars, commonly known as fixtures or attachments and classified as running repairs; also repairs to or renewals of the more important or vital parts of passenger-train cars, the necessity for which is caused by breakage or failure while in service; also the repairs to passenger-train cars, damaged through accident or otherwise, necessary to restore them to service; and also renewals of important or vital parts made necessary by reason of age or wear and tear from use.

NOTE C.—The cost of repairing passenger-train cars of foreign lines waybilled as freight, damaged in transit, should be charged to account "Loss and Damage—Freight," and the cost of repairing passenger-train cars of foreign lines having trackage rights over a carrier's line damaged in collision or wreck for which the carrier is liable should be charged to account "Damage to Property."

See Cases 55, 73, 138, 147, 264, 336, 633.

32.—PASSENGER-TRAIN CARS—RENEWALS

This account includes the original cost (estimated, if not known), record value, or purchase price of all passenger-train cars condemned, destroyed, or sold, less:

- (a) Amount previously charged for depreciation up to date of retirement;
- (b) Scrap value of salvage or the amount received from sale of passenger-train cars retired.

The cost of renewing passenger-train cars, the operations of which are treated as "Outside Operations" (except dining, café, and buffet cars) should not be charged to this account.

NOTE A.—Passenger-train cars permanently retired from service but held, pending disposition, should be written out of service through this account, and carried in an appropriate material account at a nominal valuation or at actual scrap value, if determinable.

NOTE B.—The term "record value" should not be interpreted to mean the value of equipment as it stands in the capital account, unless that account represents the original value of the equipment on hand.

See Case 55.

33.—PASSENGER-TRAIN CARS—DEPRECIATION

[This account includes a monthly charge of one-twelfth ($\frac{1}{12}$) of per cent per annum of the original cost (estimated, if not known), record value, or purchase price of passenger-train cars, to provide a fund for replacement when retired.]

The charge for depreciation on passenger-train cars, the operations of which are treated as "Outside Operations" (except dining, café, and buffet cars) should not be charged to this account.]

This account includes a monthly charge representing depreciation on passenger-train cars. This monthly charge should be computed at a certain rate per cent on the original cost (estimated, if not known), record value, or purchase price of such passenger-train cars. Charges should be made to this account during the life of the passenger-train cars, except in cases of passenger-train cars which attain to greater than a normal life; in such a case charges should cease when the difference between the original cost, record value, or purchase price and the estimated scrap value shall have been charged to this account. In case of passenger-train cars prematurely retired charges to this account should cease with the charges for the month in which such retirement occurs. The sum of the monthly charges during any fiscal year should equal the estimated depreciation during that year.

NOTE A.—When passenger-train cars are prematurely retired, the value (less salvage) not previously taken up through charges to this account should be charged, in the accounts for the months in which retired, to Account No. 32, "Passenger-train Cars—Renewals," as provided in the text therefor.

NOTE B.—The sum of the monthly charges to this account should equal the value lost through depreciation in respect to a particular passenger-train car, and together with the charge to "Passenger-train Cars—Renewals" and value of salvage or amount received from sale, should provide a reserve for replacement of the passenger-train car when retired.

See Cases 48, 49, 465.

34.—FREIGHT-TRAIN CARS—REPAIRS

This account includes cost of material used (less salvage) and labor expended in repairing, painting, and lettering freight-train cars of all classes (see "Note A" under this account), furniture for cabin or caboose cars, and fixtures for all freight-train cars, including cost of renewing same; such as brake gear, coal boxes, coal hods, curtains, cushions, deck lamps, flag and torpedo boxes when attached to cars, ice boxes, lamp fixtures, links, and pins racks, stoves and fixtures; also cost of fixed or permanent grain doors and lumber for them; racks and ventilating systems for refrigerator cars, and material used and labor expended in double-decking cars for live stock; also cost of supervision; pay of car inspectors while engaged in inspecting freight-train cars; and cost of cutting up such cars when condemned; also repairs, for which a carrier is liable, made to freight-train cars of foreign lines in its service. Cost of testing air brakes; material used by car inspectors and car repair men while engaged in inspecting and making light repairs to cars at stations, yards, and elsewhere. Small hand tools used exclusively in inspecting and repairing freight-train cars. Traveling expenses of employees whose pay is chargeable to this account; expenses of light-weighting freight-train cars; payments of royalties, or for patent rights on brakes, brake fixtures, and other appliances used on freight-train cars; payments for foreign freight-train cars destroyed on the line while in a carrier's service, or to foreign roads for repairs to a carrier's freight-train cars; also proportion of shop expenses as provided in Note following account "Other Expenses."

The value of old material released during repairs, insurance recovered, and repayments from other roads should be credited to this account.

NOTE A.—The following cars are classified as freight-train cars:

Ballast (when in commercial service)	Fruit, Furniture, Gondola, Gondola—hopper, Gondola—long, Gun trucks, Hay, Lime, Logging, Oil tank, Ore,	Platform, Poling, Poultry Produce, Rack, Refrigerator, Stock, Tank and water (when used as commercial cars).
Beer, Box, Cabin, Caboose, Charcoal, Coal, Coke Dump (commercial, coal or stone), Flat,		

NOTE B.—The word "repairs" as here used includes all repairs to or renewals of parts of freight-train cars commonly known as running repairs; also repairs to or renewals of the more important or vital parts of freight-train cars, the necessity for which is caused by breakage or failure while in service; also the repairs to freight-train cars damaged through accident or otherwise, necessary to restore them to service, and also renewals of important or vital parts made necessary by reason of age or wear and tear from use.

NOTE C.—The cost of repairing freight-train cars of foreign lines waybilled as freight, damaged in transit, should be charged to account "Loss and Damage—Freight," and the cost of repairing freight-train cars of foreign lines having trackage rights over a carrier's line damaged in collision or wreck for which a carrier is liable should be charged to account "Damage to Property."

See Cases 47, 56, 147, 176, 336, 456, 482.

35.—FREIGHT-TRAIN CARS—RENEWALS

This account includes the original cost (estimated, if not known), record value, or purchase price of all freight-train cars condemned, destroyed, or sold, less:

- (a) Amount previously charged for depreciation up to date of retirement;
- (b) Scrap value of salvage or the amount received from sale of freight-train cars retired.

NOTE A.—Freight-train cars or parts thereof (such as trucks) permanently retired from service, but held, pending disposition, should be written out of service through this account and carried in an appropriate material account at a nominal valuation or at actual scrap value, if determinable.

NOTE B.—The term "record value" should not be interpreted to mean the value of equipment as it stands in the capital account, unless that account represents the original value of the equipment on hand.

See Cases 169, 170.

36.—FREIGHT-TRAIN CARS—DEPRECIATION

[This account includes a monthly charge of one-twelfth ($\frac{1}{12}$) of per cent per annum of the original cost (estimated, if not known), record value, or purchase price of freight-train cars to provide a fund for replacement when retired.]

This account includes a monthly charge representing depreciation on freight-train cars. This monthly charge should be computed at a certain rate per cent on the original cost (estimated, if not known), record value, or purchase price of such freight-train cars. Charges should be made to this account during the life of the freight-train cars, except in cases of freight-train cars which attain to greater than a normal life; in such a case charges should cease when the difference between the original cost, record value, or purchase price and the estimated scrap value shall have been charged to this account. In case of freight-train cars prematurely retired charge to this account should cease with the charges for the month in which such retirement occurs. The sum of the monthly charges during any fiscal year should equal the estimated depreciation during that year.

Note A.—When freight-train cars are prematurely retired, the value (less salvage) not previously taken up through charges to this account should be charged, in the accounts for the months in which retired, to Account No. 35, "Freight-train Cars—Renewals," as provided in the text therefor.

Note B.—The sum of the monthly charges to this account should equal the value lost through depreciation in respect to a particular Freight-train car, and together with the charge to "Freight-train Cars—Renewals" and value of salvage or amount received from sale, should provide a reserve for replacement of the freight-train car when retired.

See Cases 48, 49.

37.—ELECTRIC EQUIPMENT OF CARS—REPAIRS

This account includes cost of material used and labor expended in repairing and renewing motors affixed to cars, and their connections, as distinguished from independent electric locomotives used in connection with electric power

for the propulsion of trains or cars; dynamo covers, rheostats, reversing, cut-out, and main motor switches, power boxes, motor boxes, power levers, trolley poles, trolleys, third-rail contact appliances, wiring, inspecting, cables, lighting arrestors, pans, brush holders, and motor pans.

NOTE A.—The word "repairs" as here used includes all repairs to or renewals of parts of electric equipment of cars commonly known as running repairs; also repairs to or renewals of the more important or vital parts of electric equipment of cars, the necessity for which is caused by breakage or failure while in service; also the repairs to electric equipment of cars damaged through accident or otherwise, necessary to restore it to service; and also renewals of important or vital parts made necessary by reason of age or wear and tear from use.

Note B.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the *Classification of Operating Expenses for Electric Railways* should be used.

See Case 57.

38.—ELECTRIC EQUIPMENT OF CARS—RENEWALS

This account includes the original cost (estimated, if not known), record value, or purchase price of all electric equipment of cars condemned, destroyed, or sold, less:

(a) Amount previously charged [for depreciation up to date of retirement;

(b) Scrap value of salvage or the amount received from sale of electric equipment of cars.

NOTE A.—Electric equipment of cars permanently retired from service, but held, pending disposition, should be written out of service through this account, and carried in an appropriate material account at a nominal valuation, or at actual scrap value, if determinable.

NOTE B.—The term "record value" should not be interpreted to mean the value of equipment as it stands in the capital account, unless that account represents the original value of the equipment on hand.

Note C.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the *Classification of Operating Expenses for Electric Railways* should be used.

39.—ELECTRIC EQUIPMENT OF CARS—DEPRECIATION

[This account includes a monthly charge of one-twelfth ($\frac{1}{12}$) of per cent per annum of the original cost (estimated, if not known), record value, or purchase price of electric equipment of cars to provide a fund for replacement when retired.]

This account includes a monthly charge representing depreciation on electric equipment of cars. This monthly charge should be computed at a certain rate per cent on the original cost (estimated, if not known), record value, or purchase price of such electric equipment of cars. Charges should be made to this account during the life of the electric equipment of cars, except in cases of electric equipment of cars which attains to greater than a normal life; in such a case charges should cease when the difference between

the original cost, record value, or purchase price and the estimated scrap value shall have been charged to this account. In case of electric equipment of cars prematurely retired charges to this account should cease with the charges for the month in which such retirement occurs. The sum of the monthly charges during any fiscal year should equal the estimated depreciation during that year.

Note A.—When electric equipment of cars is prematurely retired, the value (less salvage) not previously taken up through charges to this account should be charged, in the accounts for the months in which retired, to Account No. 38, "Electric Equipment of Cars—Renewals," as provided in the text therefor.

Note B.—The sum of the monthly charges to this account should equal the value lost through depreciation in respect to a particular electric equipment of cars, and together with the charge to "Electric Equipment of Cars—Renewals" and value of salvage or amount received from sale, should provide a reserve for replacement of the electric equipment of cars when retired.

See Case 49.

40.—FLOATING EQUIPMENT—REPAIRS

This account includes, when not chargeable to "Outside Operations:"

STEAMBOATS AND TUGBOATS.—Cost of material used and labor expended in repairing steamships, steamboats, power launches, steam lighters, ferry, transfer, tug, and all other boats propelled by their own power (see "Note A" under this account); also boilers, engines, masts, rigging, sails, wood foundations, bearings for machinery, wheels, rudders, shafts, steering gear, ventilators, electric plants, steam and hot-water fixtures, and all other parts; furniture and fixtures of such boats, including cost of renewing machinery, furniture, and fixtures, such as anchors, axes, barometers, beds and bedding, binnacle lamps, block and tackle, capstan bars, carpets, chairs, charts, clocks, compasses, copying presses, counters, desks, engine furnishings, fire buckets, fire extinguishers, flue cleaners, gang planks, hatchets, hooks, keys, lamps (when permanently attached to boats), life-preservers, lines, linoleum, logs and log lines, mats, matting, mattresses, oil cans, pianos on passenger boats, pillows, poker, racks, railings, rugs, safes, scales, scrapers, settees, shovels, splice bars, spyglasses, stoves and stove furniture, tables, ticket cases and fixtures, tool boxes, tools, wrenches; payments of royalties, or for patent rights on improved machinery. Pay and expenses of shore engineers, shore captains, and their assistants when engaged in supervising the maintenance of floating equipment.

The value of old material released during repairs and insurance recovered should be credited to this account.

BARGES, CAR FLOATS, AND CANAL BOATS.—Cost of material used and labor expended in repairing barges, canal boats, car and other floats, dredges, lighters, and scows (see "Note B" under this account); also hulls, decks, cabins, rigging, and all other parts and furniture and fixtures of such boats, including cost of renewing machinery, furniture, and fixtures, such as those enumerated above.

The value of old material released during repairs and insurance recovered should be credited to this account.

NOTE A.—The following floating equipment is classified as steamboats and tugboats:

Ferryboats, Power launches, Power lighters,	Steamboats, Steamships, Transfer boats,	Tugboats,
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NOTE B.—The following floating equipment is classified as barges, car floats, and canal boats:

Barges, Canal boats,	Car floats, Dredges,	Lighters, Scows.
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NOTE C.—The word "repairs" as here used includes all repairs to or renewals of minor parts of floating equipment; also repairs to or renewals of the more important or vital parts of floating equipment, the necessity for which is caused by breakage, failure, or accident while in service; also the repairs to floating equipment damaged through accident or otherwise, necessary to restore it to service; and also renewals of important or vital parts made necessary by reason of age or wear and tear from use.

See Case 147.

41.—FLOATING EQUIPMENT—RENEWALS

This account includes the original cost (estimated, if not known) record value, or purchase price of all floating equipment condemned, destroyed, or sold, less:

- (a) Amount previously charged for depreciation up to date of retirement;
- (b) Scrap value of salvage or the amount received from sale of floating equipment retired.

The cost of renewing floating equipment, the operations of which are treated as "Outside Operations," should not be charged to this account.

NOTE A.—Floating equipment permanently retired from service, but held, pending disposition, should be written out of service through this account, and carried in an appropriate material account at a nominal valuation or at actual scrap value, if determinable.

NOTE B.—The term "record value" should not be interpreted to mean the value of equipment as it stands in the capital account, unless that account represents the original value of the equipment on hand.

See Case 426.

42.—FLOATING EQUIPMENT—DEPRECIATION

[This account includes a monthly charge of one-twelfth ($\frac{1}{12}$) of per cent per annum of the original cost (estimated, if not known), record value, or purchase price of floating equipment, to provide a fund for replacement when retired.]

This account includes a monthly charge representing depreciation on floating equipment. This monthly charge should be computed at a certain rate per cent on the original cost (estimated, if not known), record value, or purchase price of such floating equipment. Charges should be made to

this account during the life of the floating equipment, except in cases of floating equipment which attains to greater than a normal life; in such a case charges should cease when the difference between the original cost, record value, or purchase price and the estimated scrap value shall have been charged to this account. In case of floating equipment prematurely retired charges to this account should cease with the charges for the month in which such retirement occurs. The sum of the monthly charges during any fiscal year should equal the estimated depreciation during that year.

Note A.—When floating equipment is prematurely retired, the value (less salvage) not previously taken up through charges to this account should be charged, in the accounts for the months in which retired, to Account No. 41, "Floating Equipment—Renewals," as provided in the text therefor.

Note B.—The sum of the monthly charges to this account should equal the value lost through depreciation in respect to a particular floating equipment, and together with the charge to "Floating Equipment—Renewals" and value of salvage or amount received from sale, should provide a reserve for replacement of the floating equipment when retired.

The charge for depreciation on floating equipment, the operations of which are treated as "Outside Operations," should not be charged to this account.

See Cases 49, 426.

43.—WORK EQUIPMENT—REPAIRS

This account includes cost of material used (less salvage) and labor expended in repairing, painting, and lettering work or service equipment of all classes (see "Note A" under this account), furniture for cabin or caboose cars, and fixtures for all work or service cars, including cost of renewing same; such as bunks, coal boxes, coal hods, curtains, cushions, lamp fixtures, links and pins, screens, stoves, and fixtures; [*also cost of repairing commercial cars and locomotives when assigned to and in maintenance-of-way service*]; changes made in [*such*] commercial cars to fit them for work service, and refitting them for commercial service; cost of repairing floating equipment used in maintenance or construction of a carrier's property, such as floating pile drivers, dredges, scows, etc.; cost of supervision, cutting up condemned work cars, and repairing cars of foreign lines damaged on the line while in a carrier's work service; material used by car inspectors and car repair men while engaged in inspecting and making light repairs; small hand tools used exclusively in inspecting and repairing work equipment; expenses of fitting cars with devices for special maintenance-of-way work; traveling expenses of employees whose pay is chargeable to this account; payments of royalties or for patent rights on brakes, brake fixtures, and other appliances used on work or service equipment; and payment for cars of foreign lines destroyed on the line while in a carrier's work service; also proportion of shop expenses as provided in Note following account "Other Expenses" under head of "Maintenance of Equipment."

The value of old material released during repairs, insurance recovered, and repayments from other roads should be credited to this account.

NOTE A.—The following equipment is classified as work equipment:

Ballast,	Outfit,	Steam shovels
Ballast, unloader cars,	Painters,	Steam wrecking derricks
Boarding,	Pile drivers,	Supply,
Bridge,	Rail saw,	Sweeper,
Camp,	Scale test,	Tool,
Cinder,	Snow dozer,	Tool and block,
Derrick,	Snow drags,	Water,
Ditching,	Snowplows (not attached to	Weed burner,
Dump,	locomotives, but moved by	Wrecking.
Grading,	them.)	
Gravel,	Sprinkling,	

NOTE B.—The word “repairs” as here used includes all repairs to or renewals of parts of work equipment commonly known as running repairs; also repairs or renewals of the more important or vital parts of work equipment, the necessity for which is caused by breakage or failure while in service; also the repairs to work equipment damaged through accident or otherwise necessary to restore it to service; and also renewals of important or vital parts made necessary by reason of age or wear and tear from use.

NOTE C.—The cost of repairing work equipment of foreign lines waybilled as freight, damaged in transit should be charged to account “Loss and Damage—Freight,” and damage to work equipment of foreign lines having trackage rights over a carrier’s lines damaged in collision or wrecks for which a carrier is liable should be charged to account “Damage to Property.”

See Cases 47, 318, 339, 481, 482.

44.—WORK EQUIPMENT—RENEWALS

This account includes the original cost (estimated, if not known), record value, or purchase price of all work equipment condemned, destroyed, or sold, less:

- (a) Amount previously charged for depreciation up to date of retirement;
- (b) Scrap value of salvage or the amount received from sale of work equipment retired.

NOTE.—The term “record value” should not be interpreted to mean the value of equipment as it stands in the capital account, unless that account represents the original value of the equipment on hand.

See Cases 318, 339.

45.—WORK EQUIPMENT—DEPRECIATION

[This account includes a monthly charge of one-twelfth ($\frac{1}{12}$) of per cent per annum of the original cost (estimated, if not known), record value, or purchase price of work equipment, to provide a fund for replacement when retired.]

This account includes a monthly charge representing depreciation on work equipment. This monthly charge should be computed at a certain rate per cent on the original cost (estimated if not known), record value, or purchase price of such work equipment. Charges should be made to this account during the life of the work equipment, except in cases of work

equipment which attains to greater than a normal life; in such a case charges should cease when the difference between the original cost, record value, or purchase price and the estimated scrap value shall have been charged to this account. In case of work equipment prematurely retired charges to this account should cease with the charges for the month in which such retirement occurs. The sum of the monthly charges during any fiscal year should equal the estimated depreciation during that year.

Note A.—When work equipment is prematurely retired, the value (less salvage) not previously taken up through charges to this account should be charged, in the accounts for the months in which retired, to Account No. 44, "Work Equipment—Renewals," as provided in the text therefor.

Note E.—The sum of the monthly charges to this account should equal the value lost through depreciation in respect to a particular work equipment, and together with the charge to "Work Equipment—Renewals" and value of salvage or amount received from sale, should provide a reserve for replacement of the work equipment when retired.

See Cases 49, 339.

46.—SHOP MACHINERY AND TOOLS

This account includes:

REPAIRS.—Cost of material used, and labor expended in repairing tools and machinery in enginehouses and at locomotive and car shops and foundries, and in shops of the bridges and buildings department, including stationary engines and boilers for furnishing power; scaffolds, shafting, belting, and other appliances for running machinery, cranes, hoists, (power and hand) drop tables, jacks, and other appliances used in connection therewith; also in repairing furnaces, forges, hydraulic and other portable jacks, portable scales, and sewing machines used in shops. Cost of repairing electric power plants (and parts thereof) employed exclusively in connection with the operation of machinery in shops. Cost of repairing heating boilers should be charged to account "Buildings, Fixtures, and Grounds."

RENEWALS.—Cost of new tools and machinery (less salvage), used in enginehouses and at locomotive and car shops and foundries, and in shops of the bridges and buildings department, including stationary engines and boilers for furnishing power; scaffolds, shafting, belting, and other appliances for running machinery, cranes, hoists, (power and hand) drop tables, jacks and other appliances used in connection therewith; also furnaces, forges, hydraulic and other portable jacks, portable scales and sewing machines used in shops. Cost of renewing electric power plants (and parts thereof) employed exclusively in connection with the operation of machinery in shops. Cost of renewing heating boilers should be charged to account "Buildings, Fixtures, and Grounds."

Note.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the Classification of Operating Expenses for Electric Railways should be used.

See Cases 58, 59, 178, 180, 311.

47.—POWER PLANT EQUIPMENT

This account includes:

STEAM AND WATER PLANT.—Cost of materials used (less salvage) and labor expended in repairing and renewing steam and water plant equipment, including engines and engine parts, appliances, and fixtures; belts, belt tighteners and fixtures; receivers, lubricators, and oiling devices; shafting, clutches, cranes, hoists, and other engine-room appliances, boilers, boiler fittings, and appliances, furnaces, economizers, stacks, mechanical draft machinery, pumps, feed-water heaters, purifiers, tanks, condensers, coal and ash conveying machinery, mechanical stokers, and other boiler-room appliances; piping and steam fitting, including valves, separators, water and sewer connections, and water meters.

ELECTRIC PLANT.—Cost of materials used and labor expended in repairing and renewing all electric equipment within the power house (not including the method of transmission of power beyond the power house), including generators and generator parts, dynamos, switchboards, cables, and feeder terminals, and wiring in connection therewith; storage batteries, transformers, boosters, rheostats, circuit breakers, meters, and other electric equipment.

Note.—This account includes only the cost of repairing and renewing equipment of plants, used for furnishing power for the propulsion of electric locomotives, cars, or trains.

See Cases 58, 59, 178.

48.—INJURIES TO PERSONS

This account includes all expenses incident to injuries to persons when caused directly in connection with maintenance of equipment; proportion of salaries and expenses of physicians and surgeons, expenses of undertakers, nursing and hospital attendance, medical and surgical supplies, artificial limbs, funeral expenses, railway and carriage fares for conveying injured persons and attendance; also proportion of pay and expenses of claim adjusters and their clerks, and pay and expenses of employees and others called in consultation in relation to the adjustment of claims coming under this head. Pay and expenses of employees and others while attending coroner's inquests or engaged as witnesses in law suits in connection with personal-injury cases.

NOTE A.—[*Witness fees and other expenses.*] Expenses not otherwise provided for, in connection with the conduct of suits should be charged to account "Law Expenses," but the amount of final judgments, including plaintiff's court costs, should be charged to this account.

NOTE B.—When contributions are made to hospitals, the total thereof should be distributed to the several "Injuries to Persons" accounts as follows: 25 per cent to "Maintenance of Way and Structures," 25 per cent to "Maintenance of Equipment," and 50 per cent to "Transportation Expenses."

NOTE C.—The pay and expenses of claim adjusters, clerks, chief surgeons, and others whose pay can not be actually allocated to any case should be divided equally between personal injury and other claims over which they have jurisdiction.

See Cases 310, 419, 526, 532.

49.—STATIONER:

This account includes printing, books, and equipment. Disbursements charged to account

The following account:

Adding machines,
 Addressographs and sup-
 plies,
 Arm rests,
 Binders,
 Blank books,
 Blank cards,
 Blank forms,
 Blank paper,
 Blank tablets,
 Blotters,
 Blotting paper,
 Blue print paper
 Bristol board,
 Calculating machines,
 Calendars,
 Caligraphs,
 Carbon paper,
 Cardboard,
 Cards,
 Circulars,
 Computing tables,
 Copy (impression) books,
 Copying brushes,
 Copying presses,
 Crayons,
 Cyclostyles,
 Dating stamps and ribbons,
 Drawing paper,
 Duplicators,
 Electric pens,
 Envelopes,
 Erasers, rubber and steel,
 Eyelets,
 Eyelet punches,
 Forms,

[INSURANCE]*

50.—OTHER EXPENSES

This account includes all equipment not properly charged to accounts.

EXPLANATORY NOTE ~~CONFIDENTIAL~~

It is recognized that costs enumerated herein not incurred, such as heating, the distribution of such **Expenses**" should be open

* This account
110

Scoops,
Screwdrivers,
Screwdrivers, ratchet,
Screws,
Shellac,
Shovels,
Slates,
State pencils,
Sledges,
Soap,
Soda,
Solder,
Soldering fluid,
Solder solder,
Sigs (oil barrels),
Spirit levels,
Spirit-level vials,
Springs,
Stinkling cans,
Tares,
Turps (lubricating),
Wheel brushes,
Wicks,
Wire lines,
Wrenches,
Steel, for small hand
Tools,
Tin,
Tins,
Trunks,
Basins,
Barrows,
Boxes,
Lead,
Lugs,
Work cloths,

Brushes,
Cans, all kinds,
Chisels,

ES”

Good that they cover
all the cost of inspec-
any.

" should be opened, material in and distributed to officers and employees and other expenses. "Expense," should be by department, and the same should be apportioned on a fair basis.

the value of material
portionment on the
expenses" account is

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ost of that materia'

at shops, enginehouses, repair tracks, and other places at which mechanical work is done should be charged. Such shop expenses should be apportioned among the various accounts affected on the basis of the amount of distributed labor charged to those accounts. The basis of distribution should be the relative proportion which the total amount of charges to "Shop Expenses" bears to the total of the distributed labor.

To avoid monthly fluctuations in the percentage of shop expenses to the total of distributed labor, carriers will be permitted to make the monthly apportionment on the basis of a fixed percentage for the fiscal year, provided the "Shop Expenses" account is adjusted and closed out at the end of that year.

The expenses above referred to are as follows:

HEATING.—Cost of fuel, including freight charges and handling, if any, used for heating shops and shop offices, repair tracks, and other places at which mechanical work is done, watchmen's and gate keepers' boxes, and inspectors' shanties.

LIGHTING.—Cost of electric current, gas, torches, lamp burners, lamp chimneys, lamps when not permanently attached to buildings, oil, incandescent lamps and carbons, and other material used for lighting shops and shop offices, repair tracks, and other places at which mechanical work is done; and cost of material used and labor expended in operating electric light plants and repairing electric light lamps at shops.

WATER.—Cost of water used in shops and shop offices, repair tracks, and other places at which mechanical work is done.

Power.—Cost of fuel, including freight charges and handling, used in operating steam and electric power plants at shops and other places at which mechanical work is done; oil, grease, waste, and other material used in the operation of such power plants; pay of stationary engineers, firemen, electricians, coal handlers and other employees; carbon brushes, fuses, lamps, picks, pokers, scuttles, shovels, and other small tools and supplies; cost of water and power purchased.

WATCHMEN.—Pay of watchmen, gate keepers, and policemen at shops, repair tracks, and other places at which mechanical work is done.

INCIDENTALS.—Pay of employees while attending fires and fire drills; cost of supplies for test rooms and laboratories incident to shop work, ice for shops, watchmen's uniforms, clocks, and call boxes, removing snow and ice from transfer tables and shop yards; traveling expenses not chargeable to other accounts; cost of cleaning privy vaults; oil, grease, waste, and other material used in lubricating shop machinery and tools; horses and horse keep, and repairing wagons and harness used in connection with shops. Cost of supplies and small hand tools used by mechanics on miscellaneous work and soon worn out, and pay of employees while making, repairing, or having charge of same; pay of shop foremen, assistant foremen, clerks, timekeepers, and shop accountants, stationary engineers and firemen, sweepers, cleaners, roustabouts, and other unskilled laborers employed in general work in and about shops and shop grounds; cost of fuel for forges, fuel, stores, and supplies; and other undistributed shop expenses; all expenses of switching locomotives, including wages, repairs, fuel, and supplies, when exclusively assigned to switching service at shops. (When switching at shops is performed by locomotives in regular switching service, all expenses of such switching should be charged to appropriate "Maintenance" and "Transportation" accounts.)

NOTE.—When shops, shop offices, repair tracks, and other places at which mechanical work is done, are supplied with heat from boilers used for running machinery, or with heat or light from plants used for heating, lighting, or other purposes, a proportion of the cost of such heat or light should be charged to this account on the basis of the service performed.

The following is a list of the more important supplies and small tools used in shop work:

Acid,
Adze handles,
Adzes,
Ammonia,
Auger bits,
Auger handles,
Augers,
Ax handles,
Axes,
Basins,
Bath brick,
Battery brushes,
Beeswax,
Bell cord,

Bits,
Bluestone,
Bone, granulated,
Borax,
Bottles,
Braces,
Brooms,
Brushes, dust,
Brushes, oil,
Brushes, paint,
Brushes, scrub,
Brushes, sweeping,
Brushes, varnish,
Brushes, wall,

Brushes, whitewash,
Brushes, window,
Buckets,
Carpenter tools furnished
 apprentices,
Casehardening,
Cement (belt),
Chalk,
Chalk lines,
Chamois skins,
Charcoal,
Clamps, hand,
Coal-pick handles,
Coal picks,

Compound for B. S. hammers,	Hatchets,	Scoops,
Compound for welding,	Hoes,	Screwdrivers,
Corks,	Hydraulic-jack compound,	Screwdrivers, ratchet,
Cosmic (to prevent rust),	Keel,	Screws,
Crayon,	Lampblack,	Shellac,
Cushion beaters,	Lead,	Shovels,
Ditching lines,	Lead, red,	Slates,
Drinking cups,	Lye,	Slatepencils,
Drinking glasses,	Mallets,	Sledges,
Dustpans,	Marking brushes,	Soap,
Emery,	Marking pots,	Soda,
Emery boxes,	Measures, liquid,	Solder,
Emery cloth,	Metallic tapes,	Soldering fluid,
Emery paper,	Mineral paste,	Spelter solder,
Faucets,	Mops,	Spigots (oil barrels),
File brushes,	Mop handles,	Spirit levels,
File cards,	Muslin,	Spirit-level vials,
File handles,	Oil cans,	Sponges,
Files,	Oilstones,	Sprinkling cans,
Fire hooks (stationary boilers),	Padlocks,	Squares,
Fire shovels (stationary boilers),	Paint pots,	Squirts (lubricating),
Flags,	Picks,	Stencil brushes,
Fork handles,	Pipe-joint grease,	Tacks,
Forks,	Pliers,	Tapelines,
Forks, coke,	Plumbago,	Tin cups,
Flannel, canton,	Polish,	Tool steel, for small hand tools,
Funnels,	Polish, stove,	Tripoli,
Gimlets,	Potash,	Trucks,
Glue,	Prisms,	Twine,
Gluepots,	Rail cutters,	Wash basins,
Glycerine,	Rakes,	Wheelbarrows,
Graphite,	Rasps,	Whetstones,
Grinding compound,	Ratchet braces,	White lead,
Ground glass,	Resin	Whiting,
Hack-saw blades,	Rope,	Window cloths,
Hammers,	Rules,	Wire,
Hammers, babbitt,	Sal ammoniac,	Wire brushes,
Hand leathers,	Sandpaper,	Wrenches, all kinds,
Handles,	Sand soap,	Zinc cakes,
	Saw blades,	Zincs.
	Saws, hand,	

EXPLANATORY NOTE—CLEARING ACCOUNT “STORE EXPENSES”

Where the words “Cost of Material” appear herein it is understood that they cover not only the cost of the material, but foreign roads’ freight charges and the cost of inspection. Credit should be given for the value of the material removed, if any.

STORE EXPENSES.—A memorandum account called “Store Expenses” should be opened, to which should be charged the cost of purchasing, handling, storing material in and distributing it from the company’s storehouses, including the pay of officers and employees in the purchasing and store departments, and their traveling, office, and other expenses. The total amount charged to this account, representing the “Storehouse Expense,” should be apportioned on the value of the material issued from the store department, and the amount representing the “Purchasing Department” expenses should be apportioned on the value of the material issued which was purchased by that department.

To avoid monthly fluctuations in the percentage of store expenses to the value of material purchased or issued, carriers will be permitted to make a monthly apportionment on the basis of a fixed percentage for the fiscal year, provided the “Store Expenses” account is adjusted and closed out at the end of that year.

When a number of men are employed in the purchasing or inspecting of a single class of material, such as ties, their pay and expenses should be added to the cost of that material and not included in this “Store Expenses” account.

Additional Clearing Accounts Authorized:

For “Studies” by the Engineering Department. See Case 6.

For Stationer’s expenses. See Case 154.

For Power Plant expenses. See Cases 178 and 180.

See Case 337.

51.—MAINTAINING JOINT EQUIPMENT AT TERMINALS—DR.

This account includes a carrier's proportion of costs to maintain equipment used for the operation of joint terminals maintained by other companies.

NOTE.—The purpose of this account is to show the amounts accruing against a carrier for its proportion of the expense of maintaining joint equipment at terminals maintained by other companies but in the joint use of which a carrier participates. The bill rendered by any creditor against a debtor for the latter's proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

See Cases 46, 355, 356.

[EQUIPMENT BORROWED—DR.] *

52.—MAINTAINING JOINT EQUIPMENT AT TERMINALS—CR.

This account includes the proportion of costs to maintain equipment used for the operation of joint terminals maintained by a carrier chargeable to other companies.

NOTE.—The purpose of this account is to show the amounts accruing in favor of a carrier against other companies for their proportion of the expense of maintaining joint equipment at terminals maintained by a carrier, but in the joint use of which other companies participate. The bill rendered by any creditor against a debtor for the latter's proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

See Cases 46, 355, 356

[EQUIPMENT LOANED—CR.]†

III. TRAFFIC EXPENSES**53.—SUPERINTENDENCE**

This account includes:

PAY OF OFFICERS.—Pay of vice-president and assistant when directly in charge of traffic, traffic directors, traffic managers, general and assistant freight, coal traffic, passenger, and ticket agents, division and assistant freight and passenger agents, general baggage agent, general express agent, and other officers engaged in the preparation and distribution of tariffs, classifications, rates, and divisions thereof; and other officials engaged in administering traffic.

NOTE A.—Pay of officers engaged exclusively in soliciting traffic should be charged to account "Outside Agencies."

NOTE B.—When officers and others, above enumerated, have supervision over other departments also, their salaries and expenses should be apportioned equally between the departments over which they have jurisdiction.

PAY OF CLERKS AND ATTENDANTS.—Pay of chief and other clerks in offices, and porters and attendants in offices and on special cars of officers whose pay is chargeable to this account.

* This account is eliminated.

† This account is eliminated.

OFFICE AND OTHER EXPENSES.—Rent and cost of repairing rented offices; telephone service, telegraph messages, heat, light, ice, water, furniture, and supplies (except stationery and printing), such as atlases, directories, maps, and periodicals for offices of officers whose pay is charged to this account; incidental office and traveling expenses of such officers and their clerks; cost of provisions for and the expenses of special cars when used by them, and cost of running special trains for officials mentioned; also premiums on fidelity bonds of such officers and their employees. **Subscriptions to newspapers.**

See Cases 534, 619.

54.—OUTSIDE AGENCIES

This account includes pay and expenses of general, commercial, city, district, and other agents engaged exclusively in soliciting traffic; employees of their offices, traveling agents, and solicitors whether located on or off the line of road; rent and cost of repairing rented offices (less rent received from subtenants), furniture, supplies, heat, light, ice, water, telephone service, telegraph messages, express charges, and office and other expenses of such agencies; also commissions for services appertaining to either freight or passenger business, except commissions paid a carrier's agents in lieu of salary.

See Case 619.

55.—ADVERTISING

This account includes pay and expenses of advertising agents, cost of bill posting, etc., printing, publishing, and distributing passenger time-tables, folders, and notices to shippers for general distribution; printing advertising matter; advertising in newspapers and periodicals for the purpose of securing traffic; bulletin boards, cards, cases, cords, display cards, dodgers, folders, glasses, handbills, maps, pamphlets, posters, racks, frames, tacks, photographs, views, and postage and express charges on advertising matter; donations to carnivals authorized for traffic purposes; and other expenses for attracting traffic.

See Case 591.

56.—TRAFFIC ASSOCIATIONS

This account includes expenses of traffic associations, including membership fees in boards of trade, commercial, and other kindred associations.

See Case 271.

57.—FAST FREIGHT LINES

This account includes expenses of fast freight or dispatch organizations.

See Case 338.

58.—INDUSTRIAL AND IMMIGRATION BUREAUS

This account includes salaries and expenses of industrial and immigration agents, exhibit agents, clerks, and assistants; cost of exhibits; rent and cost of repairing rented offices; telephone service, express charges, office expenses, furniture, supplies, stationery, postage, advertising, and other expenses of a similar nature incident to industrial and immigration bureaus; also expenses of experimental farms and donations to expositions, incident to the upbuilding of traffic, other than those provided for in account "Advertising" and premiums and donations to fairs and stock shows.

59.—STATIONERY AND PRINTING

This account includes the cost of all stationery, stationery supplies, printing, books, and blank forms (except such as are used by industrial and immigration bureaus) used in connection with traffic expenses. (Dictionaries, periodicals, technical books, etc., should be charged to account "Superintendence.")

The following is a list of the more important items chargeable to this account:

Adding machines,	Indexes,	Pins,
Arm rests,	Ink, for writing and drawing,	Postage,
Binders,	Inkstands,	Printed cards,
Blank books,	Invoice books,	Printed tablets,
Blank cards,	Legal-cap paper,	Punches (not conductors' or baggagemen's),
Blank forms,	Letter paper,	Rubber bands,
Blank paper,	Manifold paper,	Rubber stamps,
Blank tablets,	Manifold pens,	Rulers,
Blotter,	Mimeographs,	Ruling pens,
Blotting paper,	Mucilage,	Scrapbooks,
Bristol board,	Mucilage brushes,	Sealing wax,
Calculating machines,	Neostyles,	Seals,
Calendars,	Note paper,	Shears,
Caligraphs,	Notices,	Shipping tags,
Carbon paper,	Numbering stamps,	Shorthand notebooks,
Cardboard,	Oil paper,	Sponges,
Cards,	Orders,	Sponge cups,
Circulars,	Paper,	Stamps, impression,
Computing tables,	Paper baskets,	Stylographs,
Copy (impression) books,	Paper clips,	Tablets,
Copying brushes,	Paper cutters,	Tape,
Copying presses,	Paper fasteners,	Telegraph blanks,
Crayons,	Paper files,	Tissue (impression) paper,
Cyclostyles,	Paper weights,	Typewriters and ribbons,
Dating stamps and ribbons,	Papyrographs,	Wastebaskets,
Duplicators,	Passes,	Water colors,
Electric pens,	Pencils, for writing and drawing,	Water holders,
Envelopes,	Pencil sharpeners,	Wage tables,
Erasers, rubber and steel,	Penholders,	Wrapping paper,
Eyelets,	Pens, for writing and drawing,	Wringers for copying presses.
Eyelet punches,	Penracks,	
Forms,		
Glass pens,		
Hektographs,		

TARIFFS.—Cost of printing freight and passenger tariffs, classifications, supplements, and rate and division sheets.

See Case 244.

[INSURANCE]*

60.—OTHER EXPENSES

This account includes all expenses in connection with traffic expenses not properly chargeable to other "Traffic Expenses" accounts.

IV. TRANSPORTATION EXPENSES

61.—SUPERINTENDENCE

This account includes:

PAY OF OFFICERS.—Pay of vice-president and assistant general manager and assistant when directly in charge of transportation, director of operation, manager of transportation, general superintendent of transportation, superintendent of transportation, general superintendent, superintendent, division and assistant superintendent, superintendent of car service, lost-car agent, chief special agents, train master, assistant train master, road foreman of locomotives, traveling locomotive engineer, traveling locomotive fireman, members of examining boards, superintendent of mail service, traveling train and station inspectors, air-brake instructor, superintendent of transfer stations, and other officers engaged exclusively in the transportation department.

PAY OF CLERKS AND ATTENDANTS.—Pay of chief and other clerks in offices and porters and attendants in offices and on special cars of officers whose pay is charged to this account.

OFFICE AND OTHER EXPENSES.—Rent and cost of repairing rented offices; telephone service, telegraph messages, and cost of heat, light, ice, water, furniture, and supplies (except stationery and printing), such as atlases, dictionaries, directories, maps, and periodicals for offices of officers whose pay is charged to this account; incidental office and traveling expenses of such officers and their clerks; cost of provisions for and expenses of special cars when used by them and cost of running special trains for officials mentioned; also premiums of fidelity bonds of such officers and their assistants. **Subscriptions to newspapers.**

NOTE.—When officers and others, above enumerated, have supervision over other departments also, their salaries and expenses should be apportioned equally between the departments over which they have jurisdiction.

See Cases 62, 254, 330, 331, 389, 445, 516, 534.

* This account is eliminated, cost of all insurance to be charged to primary account No. 110, "Insurance," under general account, "General Expenses."

62.—DISPATCHING TRAINS

This account includes pay of chief train dispatchers, their clerks and attendants; pay and expenses of train dispatchers and their copying operators, and all incidental office expenses; pay and expenses of operators on line whose duties are confined exclusively to train movement.

Note.—Pay of operators who perform station service work also should be charged to account "Station employees."

See Cases 63, 251.

63.—STATION EMPLOYEES

This account includes:

AGENTS, CLERKS, AND ATTENDANTS.—Pay of freight and ticket agents in charge of stations, docks, wharves, and piers; relief agents, assistant agents, express agents, depot or station masters, assistant depot or station masters, station passenger and baggage agents, cashiers, station accountants, clerks, telephone and telegraph operators at stations, car clerks, messengers, collectors, ticket examiners, ticket receivers, and ticket collectors at stations (but not ticket exchangers or collectors on trains), station foremen, train callers directing passengers to trains, station baggagemen, janitors, porters, ushers, station gatemen (but not crossing gatemen), employees in information bureaus, package and parcel rooms; matrons, maids, policemen, watchmen, and detectives; also payments for time of customs inspectors at stations.

LABOR AT STATIONS.—Pay of warehousemen, freight-house foremen, freight callers, freight loaders and unloaders, tallymen, deliverymen, car sealers, weighmasters, truckmen, scalemen, coopers, station cleaners, checkmen, handlers, teamsters, stevedores, longshoremen, employees at coal-dock terminals, enginemen for stationary engines operating station heating and lighting plants or elevators in passenger or freight stations or operating freight carriers on docks, wharves, and piers to convey freight; employees attending electric lights, carrying and weighing mail at stations; transferring freight at stations for whatever reason; picking up, straightening, and re-loading lumber and other shipments on cars, weighing cars, loading, unloading, feeding, and watering stock, labor at stock [yards], pens (other than repairs), ordinary cleaning of station grounds performed by station cleaners, removing snow and ice from station platforms, walks, and stock [yards], pens, and disinfecting at stations and stock [yards], pens. Pay of employee standing switch lamps not at terminals. Payments to elevator companies for transferring grain en route; payments to other companies and individuals for loading and unloading sand and other commercial freight under contract or otherwise.

NOTE.—This account should not include the pay or expenses of telegraph and telephone operators provided for under accounts "Dispatching Trains" and "Telegraph and Telephone—Operation" or pay or expenses of employees provided for under accounts "[Stock Yards and Grain Elevators" and] "Coal and Ore Docks," or those engaged in "Outside Operations."

See Cases 64, 65, 66, 67, 196, 197, 198, 199, 251, 267, 300, 341, 472, 517, 624, 628.

64.—WEIGHING AND CAR-SERVICE ASSOCIATIONS

This account includes expenses of weighing and inspection bureaus and car-service associations.

See Case 301.

[STOCK YARDS AND GRAIN ELEVATORS]*

See Case 67, Accounting Bulletin No. 1.

65.—COAL AND ORE DOCKS

This account includes pay of employees and cost of supplies and all other expenses incurred in operating coal and ore docks, which are not operated as "Outside Operations."

See Cases 66, 135, 487.

66.—STATION SUPPLIES AND EXPENSES

This account includes:

HEATING.—Cost of fuel, water, steam, and supplies used in heating stations, waiting rooms, freight and passenger offices, and other station buildings.

LIGHTING.—Cost of, or payments for, lighting streets and stations, gas, oil, electric current, carbons, incandescent lamps, and other supplies used in lighting stations, waiting rooms, freight and passenger offices, and other station buildings and street approaches thereto, **and passenger foot bridges and subways at stations.**

OTHER EXPENSES.—Rent of station buildings; cost of furniture and renewals and repairs thereof; telephone service, express charges, supplies, hand implements for handling freight and baggage at stations, power for freight and passenger elevators, oil and wicking used in lanterns of watchmen (except track watchmen) or other employees in or about stations: **supplies for switch lamps at points where no regular switching service is maintained; incidental expenses of station employees; uniforms, uniform trimmings and badges for station employees, material used at stations for packing freight; payments for transferring mail; horses and vehicles for station use, livery, and shoeing horses; feed and water for stock when carrier is responsible; payments to warehouse companies for storage of freight; cleaning privy vaults.**

Payments for water, washing towels, sprinkling about stations; rents for use of automatic weighing and recording attachments for scales; also premiums on fidelity bonds of agents and other station employees, and those covering merchandise transported; licenses for ticket agents, agents' expenses, reports of commercial standing, and membership fees in agents' associations'

* This account is eliminated, all expenses on account thereof to be classified as "Outside Operations."

The following is a list of the more important articles chargeable to this account:

Atlases,	Gang planks,	Pails,
Awnings,	Gas,	Pinch bars,
Axes,	Hampers,	Rakes,
Baggage checks,	Harness,	Reflectors,
Barometers,	Hatchets,	Rolling chairs for invalids,
Baskets,	Hoes,	Rubber hose,
Bicycles,	Hooks,	Safes,
Blocking,	Horses,	Sawdust,
Brooms,	Hose,	Saws,
Brushes,	Hose couplings,	Scoops,
Buckets,	Ice,	Scales, portable,
Bulletin boards,	Ice barrels,	Scrubbing brushes,
Call bells,	Ice boxes,	Settees,
Candles,	Ice buckets,	Shovels,
Carpets,	Ice carts,	Sledges,
Car seal presses,	Ice tongs,	Soap,
Chains,	Keys,	Spades,
Chairs,	Ladders for cleaning and	Sponges,
Chair cushions,	lighting,	Sprinkling cans,
Chalk,	Lampblack	Stools,
Chamois skins,	Lamp burners,	Stove blacking,
Check boxes,	Lamp chimneys,	Stoves and stovepipe,
Check racks,	Lamp fittings,	Switch keys,
City directories,	Lamp globes,	Tables,
Clocks,	Lamp mantels,	Tacks,
Coal hods,	Lamps, not permanently at-	Tarpaulins (not for cars),
Cold chisels,	tached to buildings,	Thermometers,
Copy-press stands,	Lanterns,	Ticket cases,
Counter brushes,	Lantern fittings,	Tongs,
Counter scales,	Lantern globes,	Tool boxes,
Cups,	Letter boxes,	Torpedoes,
Curtains,	Mail bags,	Towels,
Cuspidors,	Maps and cases,	Trucks,
Desks,	Marking brushes,	Twine,
Dippers,	Marking pots,	Typewriter stands,
Dusters,	Marline,	Wagons,
Electric fans,	Matches,	Wash basins
Electric lamps, incandes-	Measures,	Waste,
cent,	Medical boxes,	Water barrels,
Electric-light supplies,	Mirrors,	Water bowls,
Extinguishers, hand,	Money drawers,	Water cans,
Feather dusters,	Nails for boxing,	Water coolers,
Files, document,	Newspapers,	Water pails,
Fire buckets,	Oil,	Wheelbarrows,
Flags,	Oil cans,	Whisk brooms,
Floor coverings,	Padlocks,	Wrenches.

See Cases 67, 68, 136, 197, 205, 236, 299, 313, 340, 447, 508, 564, 628.

67.—YARDMASTERS AND THEIR CLERKS

This account includes pay of general yardmaster, yardmaster, assistant yardmaster, general yard foreman, their clerks and attendants, and of employees engaged in calling yardmen, passenger and freight trainmen; also policemen, watchmen, and detectives in yard service.

NOTE.—This account and the following nine accounts, "Yard Conductors and Brake men," "Yard Switch and Signal Tenders," "Yard Supplies and Expenses," "Yard Engine-men," "Enginehouse Expenses—Yard," "Fuel for Yard Locomotives," "Water for Yard Locomotives," "Lubricants for Yard Locomotives," and "Other Supplies for Yard Locomotives," refer only to yards where regular switching service is maintained.

68.—YARD CONDUCTORS AND BRAKEMEN

This account includes pay of yard conductors or yard foremen and yard brakemen or yard switchmen engaged in passenger and freight yard and terminal switching service.

69.—YARD SWITCH AND SIGNAL TENDERS

This account includes pay of employees engaged in operating signals and interlocking plants in yards used exclusively for the government of the movement of yard trains; such as switch tenders, signalmen (other than telegraph operators), levermen, batterymen, stationary engineers and firemen operating air compressors furnishing power for signals, lampmen, lamp cleaners, and lamplighters.

See Cases 76, 196, 468.

70.—YARD SUPPLIES AND EXPENSES

This account includes expenses of employees named under account, "Yardmasters and their Clerks," cost of heating and lighting their offices and other supplies furnished therefor. Supplies furnished yard conductors and brakemen, supplies for all switch lights and for interlocking plants or other signal appliances at terminals; oil, wicks, etc., for switch lamps, semaphore lamps, or other signals and lanterns; **switch keys**; **lubricants for yard switches**; flags, switch ropes and chains, and other supplies furnished employees whose wages are charged to accounts, "Yardmasters and their Clerks," "Yard Conductors and Brakemen," and "Yard Switch and Signal Tenders;" payments for lighting yards, fuel, and supplies for heating and lighting yard interlocking or other signal towers, and switch tenders' houses; also other similar items.

See Cases 76, 299.

71.—YARD ENGINEMEN

This account includes pay of engineers and firemen engaged in passenger and freight, yard and terminal switching and transfer service.

Note.—When locomotives are engaged in both Road and Yard service, the pay of enginemen should be apportioned between the Road and Yard accounts on the basis of the service rendered. This does not apply to way switching by locomotives and crews in road service, the entire pay of enginemen for which should be charged to Account No. 80, "Road Enginemen."

72.—ENGINEHOUSE EXPENSES—YARD

This account includes pay of, and cost of supplies furnished to callers, (except as provided for in account, "Yardmasters' and their Clerks"), watchmen, and [other] employees engaged in wiping, cleaning, firing up, dumping, boiler washing, cleaning fire boxes, watching, and dispatching locomotives; and of other enginehouse employees, such as tool checkers, enginehouse cleaners, cinder pit cleaners, clinker dumpers, truck packers, turntable operators, sand dryers, inspectors of smokestacks and ash pans, when engaged

in caring for locomotives in yard or terminal service; also a proportion of wages paid enginehouse foremen and their clerks. **Pay of hostlers and helpers at roundhouses; rents paid for use of stalls in roundhouses.**

Some of the more important items chargeable to this account are: Boiled oil, lampblack, rags, waste, lye, cleaning and polishing compounds, tools for truck packers and hostlers, signal lights on turntables and transfer tables at enginehouses, expenses of operation of such tables, by power; heating and lighting enginehouses and offices in them; oil for lubricating turntables; shovels, wheelbarrows, and other tools for cleaning around enginehouses and handling cinders; rent of cinder cars used at cinder pits; hose and water for cinder pits and for washing out boilers, cupboards in enginehouses, mechanical blowers and fire lighters for starting locomotive fires.

NOTE.—When enginehouse expenses are incurred jointly for yard and road locomotives they should be apportioned on basis of number of locomotives of each class handled.

See Cases 163, 203, 288, 391.

73.—FUEL FOR YARD LOCOMOTIVES

This account includes cost at point of issue of coal, coke, oil, wood, and other fuel issued to yard locomotives. It includes cost of loading into tenders, proportion of pay of fuel agents, **fuel inspectors, weighers,** and clerks engaged in accounting for fuel at fuel stations, and cost of wheelbarrows, shovels, scoops, picks, and other tools used thereat.

NOTE.—Repairs and renewals of coal chutes, buggies, air hoists, pockets, screens, etc., should be charged to account "Buildings Fixtures, and Grounds,"]

See Case 402.

74.—WATER FOR YARD LOCOMOTIVES

This includes the cost of water furnished yard locomotives, including the cost of labor and material consumed in operating, heating, and lighting water stations; gasoline, oil, waste, gasoline-engine batteries, thaw-out hose, rubber packing, siphons for water cars and locomotives, iron barrels for storing gasoline, stoves, stove furniture, coal, chemicals, and other compounds injected into locomotive boilers to decrease scale formations on boiler tubes; operating water purifying plants, tools, and other supplies (when not chargeable to account "Roadway Tools and Supplies"); also such items as breaking ice in water tanks, thawing out tank spouts and water cars, keeping fires in tanks and water cars to prevent freezing, shoveling snow in locomotive tenders, temporary connections between water cars and locomotive tenders; also amounts paid for water furnished for locomotives, including rent of ponds, lakes, sluices, or other sources of water supply for this purpose, and right of way for pipe lines. **Proportion of pay of superintendent of water service engaged in connection with water supply for locomotives.**

[*Note.*—The apportionment of water as between yard and road locomotives should be on the basis of the relative number of tender tanks taken.]

Note.—The apportionment of cost of water as between yard and road locomotives should be based on the relative number of tons of coal used on locomotives in yard and road service.

See Cases 74, 194, 201, 253, 458.

75.—LUBRICANTS FOR YARD LOCOMOTIVES

This account includes the cost of valve, engine, and car oil, grease, waste, and compounds for the lubrication of locomotives in yard service.

76.—OTHER SUPPLIES FOR YARD LOCOMOTIVES

This account includes the cost of headlight and signal oil and wicks used in headlights, signal lights, and enginemen's torches; supplies for electric-light dynamos and carbide for acetylene gas for lights on locomotives in yard service; also the cost of furniture, tools, and other movable articles and supplies required fully to equip yard locomotives for service.

The following are some of the items chargeable to this account, when furnished for use of yard enginemen:

Ash hoes,	Hose (not air brake, air sig-	Scoops,
Ash-pan rods,	nal, or steam),	Shovels,
Axes,	Hose reels,	Slash bars,
Bars, buggy,	Jacks,	Sledges,
Bell cords,	Jackscrews,	Soap,
Boxes (portable),	Lamps (signal only),	Switch chains,
Brooms,	Lanterns and parts,	Switch keys,
Brushes,	Locks for portable boxes,	Switch ropes,
Buckets,	Matches,	Switch poles,
Chimneys, headlights,	[<i>Metallic packing,</i>]	Thaw-out hose,
Chisels,	Oilers,	Tool boxes (portable),
Clinkerhooks,	Oil cans,	Torches,
Crowbars,	Packing hooks,	Torpedoes,
Files,	Packing spoons,	Waste,
Flags,	Picks,	Water buckets,
Grate shakers,	Pinch bars,	Water coolers,
Hammers,	Plugging bars,	Wrecking frogs,
Handsaws,	Pokers,	Wrenches.
Hatchets,	Saws,	

NOTE.—For cost of sand, see account "Other Supplies for Road Locomotives."
See Cases 256, 299.

77.—OPERATING JOINT YARDS AND TERMINALS—DR.

This account includes a carrier's proportion of costs incurred to operate joint yards, terminals, **including interlockers**, and other facilities **at such joint yards and terminals** [*except joint tracks*] operated by other companies.

NOTE.—The purpose of this account is to show the amounts accruing against a carrier for its proportion of the expense of operating joint yards and terminals operated by other companies, but in the joint use of which a carrier participates. The bill rendered by any creditor against a debtor for the latter's proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor and such distribution should be adhered to by the debtor.

See Cases 74, 116, 117, 120, 121, 275.

78.—OPERATING JOINT YARDS AND TERMINALS—CR.

This account includes the proportion of costs **incurred** to operate joint yards, **and terminals, including interlockers**, and other facilities [*except joint tracks*] operated by a carrier, chargeable to other [*companies,*] carriers.

NOTE.—The purpose of this account is to show the amounts accruing in favor of a carrier against other companies for their proportion of the expense of operating joint yards and terminals operated by a carrier, but in the joint use of which other companies participate. The bill rendered by any creditor against a debtor for the latter's proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

79.—MOTORMEN

This account includes pay of motormen while engaged in running electric locomotives or cars (except those engaged in work-train service) or while deadheading in connection therewith; also pay and expenses of motormen engaged in piloting electric trains or cars over home lines.

Note.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the *Classifications of Operating Expenses for Electric Railways* should be used.

See Case 202.

80.—ROAD ENGINEMEN

This account includes pay of engineers and firemen while engaged in revenue-train service or while deadheading in connection therewith.

NOTE A.—Pay of engineers and firemen on locomotives engaged in work-train service should be charged as a part of the work on which engaged.

Note B.—When locomotives are engaged in both road and yard service the pay of enginemen should be apportioned between the Road and Yard accounts on the basis of the service rendered. This does not apply to way switching by locomotives and crews in road service, the entire pay for enginemen for which should be charged to this account.

See Cases 54, 202.

81.—ENGINEHOUSE EXPENSES—ROAD

This account includes pay of and supplies furnished to callers, watchmen, [and other] employees engaged in wiping, cleaning, firing up, dumping, boiler washing, cleaning fire boxes, watching, and dispatching locomotives; and of other enginehouse employees, such as tool checkers, enginehouse cleaners, cinder pit cleaners, clinker dumpers, truck packers, turntable operators, sand dryers, inspectors of smokestacks and ash pans, when engaged in caring for locomotives in road service; **pay of hostlers and helpers at roundhouses**; also a proportion of wages paid enginehouse foremen and their clerks; **rents paid for use of stalls in roundhouses**.

Some of the more important items chargeable to this account are: Boiled oil, lampblack, rags, waste, lye, cleaning and polishing compounds, tools for truck packers and hostlers, signal lights on turntables and transfer tables at enginehouses, expense of operation of such tables by power, heating, and lighting enginehouses and offices in them, oil for lubricating turntables, shovels, wheelbarrows, and other tools for cleaning round enginehouses and

handling cinders; rent of cinder cars used at cinder pits; hose and water for cinder pits and for washing out boilers; cupboards in enginehouses, mechanical blowers and fire lighters for starting locomotive fires.

NOTE A.—When enginehouse expenses are incurred jointly for yard and road locomotives, they should be apportioned on basis of number of locomotives handled.

NOTE B.—Cost of enginehouse expenses on locomotives engaged in work-train service should be charged as a part of the work on which engaged.

See Cases 74, 163, 203, 288, 391.

82.—FUEL FOR ROAD LOCOMOTIVES

This account includes cost at point of issue of coal, coke, oil, wood, and other fuel issued to road locomotives. It includes cost of loading into tenders, proportion of pay of fuel agents, fuel inspectors, weighers, and clerks engaged in accounting for fuel at fuel stations, and cost of wheelbarrows, shovels, scoops, picks, and other tools used thereat.

NOTE A.—Repairs and renewals of coal chutes, buggies, air hoists, pockets, screens, etc., should be charged to account, "Buildings, Fixtures, and Grounds."

NOTE B.—Cost of fuel issued to locomotives engaged in work-train service should be charged as a part of the work on which engaged.

See Case 402.

83.—WATER FOR ROAD LOCOMOTIVES

This account includes the cost of water furnished road locomotives, including the cost of labor and material consumed in operating, heating, and lighting water stations; gasoline, oil, waste, gasoline-engine batteries, thaw-out hose, rubber packing, siphons, for water cars and locomotives, iron barrels for storing gasoline, stoves, stove furniture, coal, chemicals, and other compounds injected into locomotive boilers to decrease scale formations on boiler tubes; operating water-purifying plants, tools, and other supplies (when not chargeable to account "Roadway Tools and Supplies"); also such items as breaking ice in water tanks, thawing out tank spouts and water cars, keeping fires in tanks and water cars to prevent freezing, shoveling snow in locomotive tenders, temporary connections between water cars and locomotive tenders; also amounts paid for water furnished for locomotives, including rent of ponds, lakes, sluices or other sources of water supply for this purpose, and right of way for pipe lines. Proportion of pay of superintendent of water service engaged in connection with water supply for locomotives.

[Note A.—The apportionment of water as between yard and road locomotives should be on the basis of the relative number of tender tanks taken.]

NOTE A.—The apportionment of cost of water as between yard and road locomotives should be based on the relative number of tons of coal issued on locomotives in yard and road service.

NOTE B.—Cost of water and expenses of water supply for locomotives engaged in work-train service should be charged as a part of the work on which engaged.

See Cases 74, 194, 201, 253, 458.

84.—LUBRICANTS FOR ROAD LOCOMOTIVES

This account includes the cost of valve, engine, and car oil, grease, waste, and compounds for the lubrication of locomotives in road service.

NOTE.—Cost of lubricants for locomotives engaged in work-train service should be charged as a part of the work on which engaged.

85.—OTHER SUPPLIES FOR ROAD LOCOMOTIVES

This account includes the cost of headlight and signal oil and wicks used in headlights, signal lights, and enginemen's torches; supplies for electric-light dynamos and carbide for acetylene gas for lights on locomotives in road service; also the cost of furniture, tools, and other movable articles and supplies required fully to equip road locomotives for service; fuel for sand dryers and cost of sand and of loading it at sand pits; wheelbarrows, shovels, and sand screens used in handling sand for road locomotives.

The following are some of the more important items chargeable to this account:

Ash hoes,	Hose (not air brake, air signal, or steam),	Saws,
Ash-pan rods,	Hose reels,	Scoops,
Axes,	Jacks,	Shovels,
Bars, buggy,	Jackscrows,	Slash bars.
Bell cords,	Lamps (signal only),	Sledges,
Boxes (portable),	Lanterns and parts,	Soap,
Brooms,	Locks for portable boxes,	Switch chains,
Brushes,	Matches,	Switch keys,
Buckets,	[<i>Metallic packing</i>],	Switch ropes,
Chimneys (headlight),	Oilers,	Switch poles,
Chisels,	Oil cans,	Thaw-out hose,
Clinker hooks,	Packing hooks,	Tool-boxes (portable),
Crowbars,	Packing spoons,	Torches,
Files,	Picks,	Torpedoes,
Flags,	Pinch bars,	Waste,
Grate shakers,	Plugging bars,	Water buckets,
Hammers,	Pokers,	Water coolers,
Handsaws,	Sand,	Wrecking frogs,
Hatchets,		Wrenches.

NOTE A.—Cost of other supplies for locomotives engaged in work-train service should be charged as a part of the work on which engaged.

NOTE B.—The cost of sand as between yard and road locomotives being undeterminable, the entire cost of sand issued to all locomotives should be charged to this account.

See Cases 75, 256, 299.

86.—OPERATING POWER PLANTS

This account includes:

PAY.—Pay of employees engaged in operating electric power stations and substations, including engine rooms, boiler houses, dynamo or power houses, etc., such as engineers, firemen, electricians, dynamomen, oilers, cleaners, coal passers, and other employees, except those engaged in making repairs and renewals.

FUEL.—All expenditures for coal, oil, or gas used as fuel, or other fuel,

including freight or other delivery charges, if any, and labor unloading or stocking.

WATER.—Cost of water used to produce steam, or to operate a water-power plant, including pumping, rent of ponds, streams, and pipe lines.

OTHER SUPPLIES AND EXPENSES.—Cost of lubricants, oil, waste, grease, etc., used on engines, shafting, dynamos, and pumps; also carbon brushes, fuses, lamps, and other supplies, heat, light, and other expenses not elsewhere specified.

Note A.—This account includes only the cost of operating power plants for the purpose of furnishing power for the propulsion of electric locomotives, cars, or trains.

Note B.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the Classification of Operating Expenses for Electric Railways should be used.

See Cases 59, 178, 180.

87.—PURCHASED POWER

This account includes all payments for power purchased for the propulsion of electric locomotives, trains, or cars.

88.—ROAD TRAINMEN

This account includes the pay of train auditors, conductors, baggagemen, brakemen, flagmen, train porters, (except on cars used in non-revenue service) train guards, water carriers, and other trainmen while engaged in revenue-train service, or deadheading in connection therewith; also pay of pilots engaged in piloting trains over home lines.

NOTE A.—Pay of trainmen engaged in work-train service should be charged as a part of the work on which engaged.

Note B.—When carriers operating electric divisions desire to subdivide this account, appropriate accounts as prescribed in the Classification of Operating Expenses for Electric Railways should be used.

See Case 202.

89.—TRAIN SUPPLIES AND EXPENSES

This account includes:

CLEANING CARS.—Pay of car cleaners; also employees engaged in scrubbing the outside of cars at car-cleaning or station yards; cost of hose for washing cars, steam hose, and fuel for heating water for washing cars, water used for cleaning cars, compressed air for cleaning cushions and car seats; brooms, brushes, soap, modoc and other liquids, sponges, and all other material for cleaning and disinfecting cars.

HEATING CARS.—Pay of employees engaged in handling coal for heating cars and removing ashes from stoves in cars; stoves and heaters for temporary

use in freight cars; cost of hose and loose or movable articles connected with heating plants at stations used for supplying heat to cars; fuel, steam, or other heating material; expenses of boiler plants used for supplying heat to cars at stations and yards.

LIGHTING CARS.—Pay of employees engaged in filling and cleaning lamps for lighting cars; cost of supplying or pumping gas into cars and hose used in connection therewith; gas, electric current, oil, candles, wicks, globes, shades, chimneys, and all other supplies used in lighting cars; supplies and fuel for gas-pumping plants, gas-pump engines, gas pumps, carburetors, and filling cans for carburetors.

LUBRICATING CARS.—Pay of car oilers; also employees engaged in distributing supplies for lubricating cars; cost of tools, such as packing hooks and irons, dope buckets, oil, grease, waste, wool, and other supplies used in lubricating cars. **(Except work-train cars.)**

ICING AND WATERING CARS.—Pay of employees engaged in icing and watering cars; cost of ice, water, and tools, such as buckets, ladders, and hose used in icing and watering cars; also cost of refrigeration when borne by the carrier. **To this account should be credited refrigeration charges collected from other companies and individuals.**

DETOURING TRAINS.—Cost of temporary use of tracks of other companies, including the cost of pilot service, on account of wrecks, washouts, landslides, snow blockades, and other defects of tracks, bridges, or tunnels.

OTHER EXPENSES.—Pay of attendants keeping, and cost of supplies furnished, bunk rooms for engineers, firemen, and trainmen; contributions to Y. M. C. A. and similar organizations, including pay of superintendents and secretaries of reading rooms; cost of oil and wicking for train signal lamps and for lanterns of trainmen (except work trainmen), waste for cleaning lamps and lanterns, and pay of employees engaged exclusively in cleaning, trimming, and filling them; cost of miscellaneous supplies furnished cars for the purpose of protection against accidents and fires; provisions, supplies, or board for passengers, or feed for live stock on snow-bound trains or trains delayed by other causes; cost of bedding for stock cars, dunnage furnished cars, chains for securing loads, temporary grain doors, temporary lining of freight cars for carrying freight otherwise liable to injury, planking cars for shipments of billets and other material, boards for flooring fruit cars, boards and slats to fit box and stock cars for carrying coal, coke, and other freight; safety chains for holding together twin and triple cars; opening ends of cars for shipment of rails and structural material; transferring passengers, express matter, baggage, mail, and freight on account of defective tracks, bridges, or tunnels; premiums on fidelity bonds of trainmen; cost of apparatus for testing sight and hearing of engineers, firemen, and trainmen; uniforms, uniform trimmings, and badges for trainmen; laundry work for cars; **cost of removing advertisements from cars**; also cost of miscellaneous supplies required fully to equip revenue trains for service.

The following is a list of the more important articles chargeable to this account:

Axes,	Ice,	Signs on cabooses,
Beds, bed linen, and	Jacks,	Sledges,
blankets,	Jackscrews,	Soap,
Bell cords (renewals),	Lamp boards,	Straw and sawdust,
Brooms,	Lantern fixtures,	Switch chains,
Brushes,	Lanterns,	Switch keys,
Bull's-eyes,	Lumber for dunnage,	Switch ropes,
Candles,	Matches,	Tin boxes for trainmen,
Chains,	Medical boxes,	Torpedoes,
Chimneys,	Notices,	Towels,
Cold chisels,	Oil cans,	Trainmen's lanterns,
Conductors' punches,	Order hoops,	Train signal lamps,
Cuspidors,	Packing hooks,	Train tool boxes,
Disinfecting machines,	Padlocks and custom locks	Tumblers,
portable,	on cars,	Ventilator and lamp sticks,
Fire buckets,	Pails,	Water buckets,
Flags,	Punches,	Water coolers,
Fusees,	Saws,	Wrecking frogs,
Grease buckets,	Scoops,	Wrenches.
Hammers,	Shovels,	
Hatchets,	Signal boxes,	

See Cases, 41, 245, 274, 281, 299, 521, 530, 538, 606, 611, 624.

90.—INTERLOCKERS, AND BLOCK AND OTHER SIGNALS— OPERATION

This account includes pay of employees engaged in operating signals and interlocking plants (other than those exclusively used for the government of the movement of yard locomotives and trains), such as switch tenders, signalmen (other than telegraph operators), levermen, batterymen, stationary engineers and firemen operating air compressors used in connection with signals; lampmen, lamp cleaners, and lamplighters; cost of supplies used in operating signals and cost of fuel, water, light, furniture, and supplies for signal offices. **Cost of material used and labor expended in lubricating switches and signals, except those at terminals.**

NOTE.—Pay of employees engaged exclusively in operating yard signal and interlocker plants should be charged to account "Yard Switch and Signal Tenders,"

See Cases 76, 204.

91.—CROSSING FLAGMEN AND GATEMEN

This account includes pay of street and highway crossing gate keepers and flagmen and cost of supplies used by them; **also amounts paid for electric lights at street crossings not at stations or in grounds.**

See Case 269.

92.—DRAWBRIDGE OPERATION

This account includes all labor expended in the operation of drawbridges, such as pay of bridge tenders, engineers, of stationary engines turning drawbridges, watchmen, etc.; also cost of supplies such as fuel, oil, lanterns, water, waste, boats, stoves, chairs, brooms, pails, etc.

93.—CLEARING WRECKS

This account includes all expenses of clearing wrecks (except wrecks of work trains, which should be charged to the work on which the train was engaged); cost of material used and labor expended in replacing wrecked equipment upon the tracks, and the attendant expenses of the wrecking trains and wrecking tools used in such work; cost of labor building temporary tracks around wrecks and removing such tracks; payments for reloading or transferring freight, passengers, express, baggage, and mail; provisions or board for men clearing up or watching at wrecks. **Amounts paid to other companies for use of engines, derricks, other equipment, and crews on wrecking service.**

TRAIN SERVICE.—Pay of train enginemen, trainmen, and engine-housemen; cost of fuel, stores, and other supplies for train locomotives and cars; cost of oil and wicking used in lanterns of train enginemen and trainmen while such employees and equipment are engaged in clearing wrecks.

NOTE.—The cost of restoring roadbed and tracks to original condition and the cost of repairing and renewing equipment damaged or destroyed in wrecks should be charged to the proper "Maintenance of Way and Structures" and "Maintenance of Equipment" accounts.

See Cases 54, 243.

94.—TELEGRAPH AND TELEPHONE—OPERATION

This account includes:

OPERATORS AND MESSENGERS.—Pay of telegraph operators and messengers in telegraph and relay offices other than those employed in dispatching trains and those located at stations [*who also perform other station work*].

TELEPHONES.—Pay of operators and messengers; cost of chemicals, coppers, zincs, and other supplies for charging telephone batteries; costs incident to the use of telephone cable lines and conduits, and telephone rents and expenses not otherwise provided for.

OTHER EXPENSES.—Pay and expenses of superintendent of telegraph, his clerks and attendants, and incidental office expenses; pay and expenses of telegraph censor; cost of chemicals, coppers, zincs, and other supplies for charging telegraph batteries; rent, fuel, light, furniture, and other supplies for telegraph offices; bicycles for messengers; excess payments to telegraph companies; cost incident to rent of telegraph conduits, telegraph lines, and telegraph poles of other companies.

NOTE.—The salaries and expenses of superintendents and assistant superintendents of telegraph when engaged in both maintaining and operating telegraph and telephone lines should be charged 50 per cent to account "Telegraph and Telephone Lines" and 50 per cent to account "Telegraph and Telephone—Operation."

See Cases 43, 198.

95.—OPERATING FLOATING EQUIPMENT

This account includes, when not chargeable to "Outside Operations" :

STEAMBOATS AND TUGBOATS—SUPERINTENDENCE AND MANNING.—Pay of ferry superintendent, his clerks and attendants, ferry station master, ferry agents, passenger and vehicle ticket sellers, and collectors, bridgemen, gate-men, cleaners, and storekeepers at ferries, and all employees on ferryboats, steamboats, power launches, steam lighters, and tugboats; proportion of pay of lighter master, his clerks and attendants; premiums on fidelity bonds of such employees.

STEAMBOATS AND TUGBOATS—CHARTERS.—Cost of chartering ferryboats, steamboats, power launches, steam lighters, and tugboats; and payments for towage.

STEAMBOATS AND TUGBOATS—INCIDENTALS.—Cost of ropes, mops, brooms, soap, brushes, dusters, pails, hose, globes, wicks, water, gas, oil, tallow, grease, waste, lamps, flags, ice, planks, axes, shovels, trucks, handspikes, and other supplies and tools for ferryboats, steamboats, power launches, power lighters, and tugboats; pumping out boats laid up; raising sunken boats; removing ashes from boats; removing ice from around ferry bridge pontoons; transferring passengers in case of accident; inspecting; electric and other lighting on boats and at ferries; expenses for wharfage; payments of custom-house or license fees and for damage to vessels and wharves of others by collision or otherwise; and other expenses of similar nature.

BARGES, CAR FLOATS, AND CANAL BOATS—SUPERINTENDENCE AND MANNING.—Pay of employees on barges, car floats, canal boats, and lighters; and proportion of pay of lighter master, his clerks and attendants.

BARGES, CAR FLOATS, AND CANAL BOATS—CHARTERS.—Cost of chartering barges, car floats, canal boats, and lighters; and payments for lighterage.

BARGES, CAR FLOATS, AND CANAL BOATS—INCIDENTALS.—Cost of ropes, mops, brooms, soap, brushes, pails, hose, globes, wicks, oil, water, and other supplies for barges, car floats, canal boats, and lighters; removing cars or car trucks lost overboard from floats; inspecting; pumping out boats laid up; raising sunken boats; transferring cargoes in case of accident; expenses for wharfage; payments of custom-house and license fees and for damage to vessels and wharves of others by collision or otherwise; and other expenses of similar nature.

The following is a list of the more important articles chargeable to this account:

Axes,
Bed linen and blankets,
Commissary supplies,
Cooking utensils,
Flags,
Grease,
Handspikes and other tools,
Hatchets,
Hose for cleaning,

Ice,
Lamps,
Laundry,
Lines,
Oil,
Oilers,
Planks,
Provisions,
Shovels,

Stores,
Tablecloths,
Tableware,
Tallow,
Trucks,
Waste,
Water,
Wool,
Wrenches.

FUEL.—Cost of fuel used on steamboats, power launches, power lighters, ferryboats, and tugboats, including freight charges and expenses of delivering fuel on boats.

ELEVATION AND LONGSHORE LABOR.—Pay of bridgemen at transfer bridges, watchmen, longshoremen, and laborers employed at wharves, piers, and docks in loading and unloading lighterage freight, loading and discharging cargoes, and in operating steam or other power for same; payments for power (not furnished by the company) used in loading and discharging cargoes; expenses incident to heating and lighting; cost of supplies not chargeable to account "Station Supplies and Expenses" used in connection with operating wharves, piers, and docks, and power and supplies for transfer or float bridges.

The following is a list of the more important articles used at float bridges and piers in connection with the float movement of freight exclusively, and supplies furnished float master's office, chargeable to this account:

Brooms,	Incandescent lights,	Shovels,
Carbons,	Lamps, reflector,	Soap,
Chalk,	Lanterns,	Tacks,
Coal hods,	Marline,	Tallow,
Coal shovels,	Matches,	Torches,
Cold chisels,	Oil,	Towels,
Crowbars,	Oil cans,	Twine,
Gas,	Pails,	Waste,
Hammers,	Pinch bars,	Water,
Hatchets,	Ropes,	Water coolers,
Ice,	Salt,	Wheelbarrows.
Ice tongs,	Scoops,	

NOTE.—Insurance recovered should be credited to this account.
See Cases 137, 489.

96.—EXPRESS SERVICE

This account includes, when not chargeable to "Outside Operations" :

DRIVERS AND MESSENGERS.—Pay of express messengers, drivers, and helpers; pay of baggagemasters handling express, and premiums on their fidelity bonds; cost of uniforms, uniform trimmings, and badges for express messengers, drivers, and helpers.

HORSES AND HORSE KEEP.—Pay of stablemen in express service; rent of stables; cost of replacing stock; and feeding and shoeing stock.

WAGONS AND HARNESS.—Cost of repairing and renewing wagons, harness, and automobiles used in express service.

97.—STATIONERY AND PRINTING

This account includes the cost of stationery, stationery supplies, printing, books, and blank forms used in connection with transportation expenses. (Dictionaries, periodicals, technical books, etc., should be charged to account "Superintendence.")

The following is a list of the more important items chargeable to this account:

Adding machines,	Eyelets,	Postage,
Addressographs and supplies,	Forms,	Printed cards,
Arm rests,	Fuel tickers,	Printed tablets,
Baggage checks, printed,	Glass pens,	Profile books, and paper,
Bills of lading,	Hektographs,	Punches (not conductors' or baggagemen's),
Binders,	Indexes,	Rubber bands,
Blank books,	Ink, for writing and drawing,	Rubber stamps,
Blank cards,	Inkstands,	Rulers,
Blank forms,	Invoice books,	Ruling pens,
Blank paper,	Legal-cap paper,	Scrapbooks,
Blank tablets,	Letter paper,	Sealing wax,
Blotters,	Manifold paper,	Seals,
Blotting paper,	Manifold pens,	Shears,
Blue print paper,	Mimeographs,	Shipping tags,
Books for field notes,	Mucilage,	Shorthand notebooks,
Bristol board,	Mucilage brushes,	Sponges,
Calculating machines,	Neostyles,	Sponge cups,
Calendars,	Note paper,	Stamps, impression,
Caligraphs,	Notices,	Stylographs,
Carbon paper,	Numbering stamps,	Tablets,
Cardboard,	Oil paper,	Tape,
Cards,	Orders,	Telegraph blanks,
Circulars,	Paper,	Tickets,
Computing tables,	Paper baskets,	Ticket stamps,
Copy (impression) books,	Paper clips,	Time-tables,
Copying brushes,	Paper cutters,	Tissue (impression) paper,
Copying presses,	Paper fasteners,	Tracing cloth,
Crayons,	Paper files,	Tracing paper,
Cross-section books,	Paper weights,	Twine,
Cross-section paper,	Papyrographs,	Typewriters and ribbons,
Cyclostyles,	Parchment paper,	Wage tables,
Dating stamps and ribbons,	Pencils for writing and drawing,	Wastebaskets,
Drawing paper,	Pencil sharpeners,	Water colors,
Delivery tickets,	Penholders,	Water holders,
Duplicators,	Penracks,	Waybills,
Electric pens,	Pens, for writing and drawing,	Wrapping paper,
Envelopes,	Pins,	Wringers for copying presses.
Erasers, rubber and steel,		
Eyelet punches,		

See Cases 155, 200, 341, 454.

[INSURANCE]*

98.—OTHER EXPENSES

This account includes all expense in connection with transportation not properly chargeable to other "Transportation Expenses" accounts.

See Cases 77, 79, 80, 206, 218, 276, 461, 213, 319, 342, 343, 344, 400, 453, 511, 512, 522, 580, 597, 608, 612, 613, 614, 615, 623.

99.—LOSS AND DAMAGE—FREIGHT

This account includes payments for loss, damage, delays, or destruction of freight, locomotives, or cars when waybilled as freight ([*but not*] including company's material), parcels, or express intrusted to a carrier for transpor-

* This account is eliminated, cost of all insurance to be charged to primary account No. 110, "Insurance," under general account, "General Expenses."

tation, including live stock received for shipment, and all expenses directly incident thereto; freight in transit lost overboard from lighters (less insurance [recovered] and [net] amount recovered, [received] from sale of unclaimed and damaged freight); cost of repacking and boxing damaged merchandise and other property; pay and expenses of employees or others engaged as adjusters and in detecting thieves; and services and expenses of employees or others while engaged as witnesses in law suits in connection with loss and damage cases. **Freight charges paid other carriers on loss or damaged shipments.**

NOTE A.—Expenses, not otherwise provided for, in connection with the conduct of suits should be charged to account "Law Expenses," but the amount of final judgments, including plaintiffs' court costs, should be charged to this account.

NOTE B.—The pay and expenses of claim adjusters, clerks, and others whose pay cannot be actually allocated to any case, should be divided equally among personal injury and other claims over which they have jurisdiction.

See Cases 8, 155, 279, 298, 588, 607, 626, 627, 638.

100.—LOSS AND DAMAGE—BAGGAGE

This account includes payments for loss, damage, or destruction of baggage and other personal property, including clothing carried as baggage, damage to clothing worn by persons not in accident; and all expenses directly incident thereto, including services and expenses of employees or others while engaged as witnesses in law suits in connection with cases involving loss or damage to baggage, less insurance recovered and net amount received from sale of unclaimed and damaged baggage.

NOTE A.—Expenses, not otherwise provided for, in connection with the conduct of suits should be charged to account "Law Expenses," but the amount of the final judgments including plaintiffs' court costs, should be charged to this account.

NOTE B.—The pay and expenses of claim adjusters, clerks, and others whose pay cannot be actually allocated to any case should be divided equally among personal injury and other claims over which they have jurisdiction.

See Case 386.

101.—DAMAGE TO PROPERTY

This account includes payments for damages to or destruction of crops, buildings, lands, fences, vehicles, or any other property (except freight and baggage intrusted for transportation and except also stock as provided for under account "Damage to Stock on Right of Way"), whether occasioned by fire, collision, or otherwise, less insurance recovered. Payments for damages to locomotives or cars and the property therein of another company having trackage rights caused by collision of trains; and cost of repairing damage to another railway company's roadbed, track, or equipment, caused by collisions at grade crossings; detecting thieves, detaining vessels at drawbridges and payment of fines and costs on account of blocking street crossings; also pay and expenses of employees and other witnesses in suits.

NOTE A.—Expenses, not otherwise provided for, in connection with the conduct of suits should be charged to account "Law Expenses," but the amount of final judgment, including plaintiffs' court costs, should be charged to this account.

NOTE B.—The pay and expenses of claim adjusters, clerks, and others, whose pay cannot be actually allocated to any case, should be divided equally between personal injury and other claims over which they have jurisdiction.

See Cases 38, 314, 317, 392, 399, 471, 532.

102.—DAMAGE TO STOCK ON RIGHT OF WAY

This account includes payments for cattle and other live stock killed or injured while crossing or trespassing on the right of way; cost of removing and burying same; pay and expenses of stock claim agents; pay and expenses of employees and other witnesses in suits.

NOTE A.—Expenses, not otherwise provided for, in connection with the conduct of suits should be charged to account "Law Expenses," but the amount of final judgments, including plaintiffs' court costs, should be charged to this account.

NOTE B.—The pay and expenses of claim adjusters, clerks, and others, whose pay cannot be actually allocated to any case, should be divided equally between personal injury and other claims over which they have jurisdiction.

See Cases 396, 532.

103.—INJURIES TO PERSONS

This account includes all expenses incident to injuries to persons when caused directly in connection with transportation; proportion of salaries and expenses of physicians and surgeons, expenses of undertakers, nursing and hospital attendance, medical and surgical supplies, artificial limbs, funeral expenses, railway and carriage fares for conveying injured persons and attendants; also proportion of pay and expenses of claim adjusters and their clerks, and pay and expenses of employees and others called in consultation in relation to the adjustment of claims coming under this head. **Pay and expenses of employees and others while attending coroners' inquests or engaged as witnesses in law suits in connection with personal injury cases.**

NOTE A.—Expenses, not otherwise provided for, in connection with the conduct of suits should be charged to account "Law Expenses," but the amount of final judgments, including plaintiffs' court costs, should be charged to this account.

NOTE B.—When contributions are made to hospitals, the total thereof should be distributed to the several "Injuries to Persons" accounts as follows: 25 per cent to "Maintenance of Way and Structures," 25 per cent to "Maintenance of Equipment," and 50 per cent to "Transportation Expenses."

NOTE C.—The pay and expenses of claim adjusters, clerks, and others whose pay cannot be actually allocated to any case should be divided equally between personal injury and other claims over which they have jurisdiction.

See Cases 34, 35, 78, 79, 155, 164, 165, 310, 364, 386, 419, 526, 532.

104.—OPERATING JOINT TRACKS AND FACILITIES—DR.

This account includes a carrier's proportion of transportation expenses incurred in the use of joint tracks, interlockers, and other facilities (except as provided for in account "Operating Joint Yards and Terminals—Dr."), operated by other companies.

NOTE.—The purpose of this account is to show the amounts accruing against a carrier for its proportion of the expense of operating joint tracks and facilities operated by other companies but in the joint use of which a carrier participates. The bill rendered by any creditor against a debtor for the latter's proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

See Cases 116, 117, 120, 121, 268, 272, 275, 283, 492.

105.—OPERATING JOINT TRACKS AND FACILITIES—CR.

This account includes the proportion of transportation expenses incurred

in, [for, the use of joint tracks, interlockers, and other facilities (except as provided for in account "Operating Joint Yards and Terminals—Dr."), operated by a carrier chargeable to other [companies,] carriers.

NOTE.—The purpose of this account is to show the amounts accruing in favor of a carrier against other companies for their proportion of the expense of operating joint tracks and facilities operated by a carrier but in the joint use of which other companies participate. The bill rendered by any creditor against a debtor for the latter's proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

See Cases 116, 117, 120, 121, 268, 272, 275, 283, 492.

V. GENERAL EXPENSES

106.—SALARIES AND EXPENSES OF GENERAL OFFICERS

This account includes:

SALARIES.—Pay of chairman of board, president, vice-president, assistant to the president, assistant to vice-president, treasurer, assistant treasurer, local treasurer, assistant to the treasurer, secretary, assistant secretaries, treasurers and secretaries of branch lines, registrar of stock, registrar of bonds, transfer agent, comptroller, assistant comptroller, assistant to the comptroller, general auditor, auditor, assistant auditor, and all subordinate officers of the accounting department, freight claim agent, assistant freight claim agent, general accountant, real estate agent, assistant real estate agent, and tax commissioner; and all other general officers not otherwise provided for; salaries and fees of receivers. **Commissions paid to land and tax commissioners in lieu of salaries.**

EXPENSES.—This account includes traveling and other expenses of officers named above, and supplies for special cars while used by them, and cost of running special trains for them; membership fees of general officers in railway and other associations.

NOTE A.—When an officer's duties are restricted to an individual department, his salary and expenses should be charged to the individual department under account "Superintendence" or account "Law Expenses."

NOTE B.—When officers and others, above enumerated, have supervision over other departments also, their salaries and expenses should be apportioned equally between the departments over which they have jurisdiction.

NOTE C.—The pay and expenses of purchasing agent, assistant purchasing agent, assistant to purchasing agent, general storekeeper, division storekeeper, and their clerks should be charged to "Material" account through clearing account "Store Expenses."

See Cases 82, 255, 516.

107.—SALARIES AND EXPENSES OF CLERKS AND ATTENDANTS

This account includes:

CLERKS.—Pay of chief accountants, chief and other clerks of the officers specified in account "Salaries and Expenses of General Officers," cashiers, paymasters and their clerks, traveling auditors, traveling accountants, special agents, inspectors and route agents of the accounting department, and postmaster, mail clerks, and assistants in general office.

ATTENDANTS.—Pay of superintendent and assistant superintendent of general office building, bank messengers, ushers in general offices, pumpmen,

watchmen, messengers, service-wagon drivers, stablemen, janitors, cleaners, elevator conductors, engineers and firemen of stationary engines, telephone operators and other employees in connection with general offices not provided for elsewhere; also pay of porters, cooks, etc., in general office buildings and on special cars while in use by general officers and general office employees.

EXPENSES.—This account includes traveling and other expenses of employees named above and supplies for special cars while used by them; also cost of running special trains for them.

See Cases 516, 533.

108.—GENERAL OFFICE SUPPLIES AND EXPENSES

This account includes rent, repairs of rented buildings and fixtures therein, alterations of partitions and fixtures; furniture, and all expenses and supplies incident to the heating, lighting, and care of general offices; cost of service automobiles, wagons, and harness, and expenses of repairing; cost of horses and horse keep, and of atlases, directories, and other books of reference for general office use; telephone service, express charges, telegraph and cable tolls; payments for local messenger service, subscriptions for newspapers and periodicals; premiums on fidelity bonds of general office employees.

See Cases 518, 534.

109.—LAW EXPENSES

This account includes pay and expenses of vice-president and assistants when directly in charge of the law department, all counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; cost of law books, printing briefs, legal forms, testimony, reports, etc.; fees and retainers for service of attorneys not regular employees of a carrier; payments to arbitrators for the settlement of disputed questions; costs of suits and payments of special fees, notarial fees, and witness fees not provided for elsewhere; expenses connected with taking depositions, and all law and court expenses not provided for elsewhere. **Cost of membership in associations the object of which is to protect roads in respect to litigation concerning the use of patents.**

See Cases 287, 310, 345, 607, 617.

110.—INSURANCE

This account includes all premiums made or paid by a carrier to its insurance fund, and premiums (except reinsurance premiums) paid by it to insurance companies, for insuring **buildings and other structures, equipment of all classes, other property, [or] and persons** against loss, damage, or injury by fire, accident, or other causes, [*when such loss, damage, or injury would otherwise be chargeable to "General Expenses."*]

NOTE A.—The premiums paid by a carrier to its insurance fund should be credited on

its books to an "Insurance Fund" account, to which the amount of all claims for damages to the property covered by its insurance should be charged. To such account should be charged all reinsurance premiums paid insurance companies, and to it should be credited all amounts recovered from insurance companies for damage to property reinsured by them.

NOTE B.—Appropriations made by a carrier to its insurance fund through **Income Account** should be credited directly to its "Insurance Fund" account.

See Cases 31, 181, 182, 629.

111.—RELIEF DEPARTMENT EXPENSES

This account includes all salaries and expenses incurred by a carrier company in connection with operating relief departments; also contributions made by a carrier to such department.

See Case 419.

112.—PENSIONS

This account includes all pensions paid to retired employees and expenses in connection therewith.

See Cases 208, 302.

113.—STATIONERY AND PRINTING

This account includes cost of printing annual reports, blank books, blank forms, contracts, leases, bonds, stock certificates, passes; also postage, paper, stationery, and stationery supplies used only in general offices and not chargeable to other accounts. It includes cost of all stationery and printing of the law department, except cost of printing briefs, legal forms, testimony, reports, etc.

The following is a list of the more important items chargeable to this account:

Adding machines,
Addressographs and supplies,
Arm rests,
Binders,
Blank books,
Blank cards,
Blank forms,
Blank paper,
Blank tablets,
Blotter, .
Blotting paper,
Blue print paper,
Bristol board,
Calculating machines,
Calendars,
Caligraphs,
Carbon paper,
Cardboard,
Cards,
Circulars,
Computing tables,
Copy (impression) books,
Copying brushes,

Copying presses,
Crayons,
Cyclostyles,
Dating stamps and ribbons,
Drawing paper,
Duplicators,
Electric pens,
Envelopes,
Erasers, rubber and steel,
Eyelet punches,
Eyelets,
Forms,
Glass pens,
Hecktographs,
Indexes,
Ink, for writing and drawing,
Inkstands,
Invoice books,
Legal-cap paper,
Letter paper,
Manifold paper,
Manifold pens,
Mimeographs,
Mucilage,

Mucilage brushes,
Neostyles,
Note paper,
Notices,
Numbering stamps,
Oil paper,
Orders,
Paper,
Paper baskets,
Paper clips,
Paper cutters,
Paper fasteners,
Paper files,
Paper weights,
Papyrographs,
Parchment paper,
Pencils, for writing and drawing,
Pencil sharpeners,
Penholders,
Penracks,
Pens, for writing and drawing,
Pins,

Postage,	Seals,	Tissue (impression) paper,
Printed cards,	Shears,	Tracing cloth,
Printed tablets,	Shipping tags,	Tracing paper,
Punches (not conductors' or baggage men's),	Shorthand notebooks,	Twine,
Rubber bands,	Sponge cups,	Typewriters and ribbons,
Rubber stamps,	Sponges,	Wage tables,
Rulers,	Stamps, impression,	Wastebaskets,
Ruling pens,	Stylographs,	Water colors,
Scrapbooks,	Tablets,	Water holders,
Sealing wax,	Tape,	Wrapping paper,
	Telegraph blanks,	Wringers for copying presses.

114.—OTHER EXPENSES

This account includes incidental expenses only—that is, such expenses in connection with “General Expenses” as are not properly chargeable to any of the foregoing accounts; cost of publishing notices of stockholders’ meetings, of election of directors, annual reports in newspapers, of dividends declared, and of other corporate and financial notices of a general character; fees and expenses paid to directors; also contribution to funds on account of catastrophes, epidemics, etc. **Donations to local fire departments; cost of exchange on checks cashed or deposited and drafts bought; cost of draping stations.**

See Cases 113, 207, 313, 347, 401, 448, 346, 591, 613, 622,

115.—GENERAL ADMINISTRATION JOINT TRACKS, YARDS, AND TERMINALS—DR.

This account includes a carrier’s proportion of “General Expenses” incident to maintaining and operating joint tracks, yards, terminals, and other facilities used jointly, operated by other companies.

NOTE.—The purpose of this account is to show the amounts accruing against a carrier for its proportion of the expense of general administration of joint tracks, yards, and terminals administered by other companies but in the joint use of which a carrier participates. The bill rendered by any creditor against a debtor for the latter’s proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

See Cases 285, 629.

116.—GENERAL ADMINISTRATION JOINT TRACKS, YARDS, AND TERMINALS—CR.

This account includes the proportion of “General Expenses” incident to maintaining and operating joint tracks, yards, terminals, and other facilities used jointly, operated by a carrier, chargeable to other companies.

NOTE.—The purpose of this account is to show the amounts accruing in favor of a carrier against other companies for their proportion of the expense of general administration of joint tracks, yards, and terminals administered by a carrier but in the joint use of which other companies participate. The bill rendered by any creditor against a debtor for the latter’s proportion of expense of operation of joint facilities should show the distribution of the total charge among the general accounts as made by the creditor, and such distribution should be adhered to by the debtor.

See Cases 285, 629.

CLASSIFICATION OF OUTSIDE OPERATIONS

ABRIDGED.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,

DIVISION OF STATISTICS AND ACCOUNTS,

Washington, June 15, 1908.

TO CARRIERS:

Outside operations are facilities operated or services rendered by a railway other than those incidental to transportation by rail, the revenues and expenses of which, if included in the carrier's accounts dealing with transportation by rail, would impair the significance of statistics prepared from such accounts. Miscellaneous receipts and expenditures, when no service is performed, should not be treated as outside operations.

The purpose of these accounts is to segregate from the accounts of transportation by rail the revenues and expenses of all services not necessarily incident to such transportation and not necessarily rendered by all carriers operating under similar conditions. "Transportation by rail" includes the receipt, transportation, and delivery of traffic, such storage of freight as is necessary to the operation of the railway, all special facilities necessary for the handling of special classes of traffic, such as coal and ore docks, coal transfers, and facilities for the receipt and delivery of live stock, and such car ferries as are actual substitutes for bridges and tunnels. It does not include local collection and delivery (except switching), or transportation by water, except car ferries as above provided.

This classification is to be used by carrier companies subject to the act to regulate commerce (including switching and terminal companies) conducting outside operations in addition to furnishing transportation by rail. It is not intended to cover operations similar to those herein enumerated which are conducted by separately incorporated companies other than railway companies, even though the ownership or control of such separately incorporated companies be vested in a carrier by rail.

When a carrier operates two or more outside operations of the same class, separate accounts may be kept for each, at the carrier's option.

The rule which should govern in determining what items of expenses should be charged to outside operations is that the rail expense accounts should show the full and true cost of conducting transportation by rail, even though such disposition results in an incomplete or partial statement of the cost of conducting the outside operation. No charge should be made to outside operations if the effect of such charge would be to relieve the rail operation of an expense that would be charged against it if no outside service were operated. The pay of officers exercising jurisdiction over outside operations and the expenses of their offices, the pay of employees, and other general expenses, are chargeable to the outside operation only so far as they are occasioned by it and are in addition to the expenses of the rail operation.

When a specific charge is made for the service or commodity furnished by the outside operation, such charge constitutes the revenue of the operation. When the through rate contains an arbitrary, division, or allowance intended to cover the service of the outside operation exclusively, such arbitrary, division, or allowance is to be considered the revenue of the operation, and is to be apportioned on local as well as through business.

Charges against the operating carrier for services or product should be at cost, and should be credited to the account entitled "Other Operations—Cr.," which has been introduced in operating expenses of outside operations for that purpose. Whenever a credit is made to that account, a charge of like amount should invariably be made to the appropriate operating expense account of the rail department or of some other outside operation.

The maintenance of facilities for transportation or other service, or distinct portion thereof, assigned exclusively to an outside operation, should devolve upon the outside operation when separable from the expense of maintaining the railway. The maintenance of facilities not so separable should be borne by the railway when employed only incidentally by the outside operation, and by the outside operation when employed only incidentally by the railway.

It should be noted that for Outside Operations Nos. 10 to 21, inclusive, only general accounts have been prescribed. Carriers are at liberty to subdivide the general accounts here given, but if this option is exercised a statement of the primary accounts adopted should be filed in the office of the Division of Statistics and Accounts of the Interstate Commerce Commission. Carriers are also at liberty to subdivide the primary accounts prescribed for Outside Operations Nos. 1 to 9, inclusive, but notice thereof, with a statement of the subprimary accounts, should be filed in the office of the Division of Statistics and Accounts.

For operations not covered by specific classifications a "Miscellaneous"

classification has been provided. Under this heading may be kept accounts for water plants, cotton compress plants, wood preserving plants, hospitals, tie elevators, and all other outside operations not otherwise provided for. A separate set of revenue and expense accounts should be kept for each operation conducted, and a statement of such accounts together with the primary accounts, if any, adopted by the carrier in connection therewith, should be filed in the office of the Division of Statistics and Accounts.

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1. BOAT LINES.

NOTE.—Carriers operating a steamship or other boat line as an outside operation should use the Classifications of Revenues and Expenses for Steamship Companies, with such modification as may be necessary to give effect to the principles governing the accounts of Outside Operations as stated in the introductory letter on pages 5 to 7, inclusive, of this classification.

2. FERRY LINES.

NOTE.—This classification applies to the service of ferrying passengers, vehicles and live stock between the terminal of a rail line and a station or stations without direct rail connection, or between the terminal of a rail line and the terminal of a connecting rail line, or between ferry stations without direct rail connection, where local business is handled. Until other instructions are issued it does not apply to a ferry between rail stations operated only in connection with passenger trains and doing no local business between the ferry terminals.

A ferry is defined as a vessel line operating between points not more than ten miles distant from each other, at least two of which points shall be on opposite sides of a river, harbor, bay, or lake. If stops are made at more than one point, the distance here referred to shall be considered to mean the distance between the points most remote from each other.

The revenues of this operation consists of earnings from local passenger, vehicle, and drovers' traffic (except company material), together with a proportion of revenue from through and local trip, monthly commutation, mileage, and other tickets sold, when such tickets include both rail and ferry transportation.

The cost and expense of maintenance and operation of buildings, fixtures, and other property at terminals of a rail carrier used for the exclusive benefit of ferry service, should be charged to Ferry Lines.

OPERATING REVENUES.**GENERAL ACCOUNTS.****ACCOUNT.**

- I. PASSENGER REVENUE.
- II. VEHICLE AND LIVE STOCK REVENUE.
- III. CHARTERS.
- IV. MISCELLANEOUS REVENUE.

OPERATING EXPENSES.**GENERAL ACCOUNTS.****ACCOUNT.**

- I. MAINTENANCE.
- II. TRANSPORTATION EXPENSES.
- III. GENERAL EXPENSES.

PRIMARY ACCOUNTS.

I. MAINTENANCE—

1. Dredging.
2. Buildings, Fixtures, and Grounds.
3. Docks, Float Bridges, and Ferry Racks.
4. Telegraph and Telephone Lines.
5. Ferryboats—Repairs.
6. Ferryboats—Renewals.
7. Ferryboats—Depreciation.
8. Shop Machinery and Tools.
9. Injuries to Persons.
10. Other Expenses.
11. Maintaining Joint Facilities—Dr.
12. Maintaining Joint Facilities—Cr.

II. TRANSPORTATION EXPENSES—

13. Superintendence.
14. Shore Employees.
15. Supplies and Expenses—Shore.
16. Telegraph and Telephone Operation.
17. Charter of Boats.
18. Manning Boats.
19. Fuel for Boats.
20. Water for Boats.
21. Other Supplies and Expenses—Boats.
22. Loss and Damage.
23. Damage to Property.
24. Injuries to Persons.
25. Other Expenses.
26. Operating Joint Facilities—Dr.
27. Operating Joint Facilities—Cr.

III. GENERAL EXPENSES—

28. Administration Expenses.
29. Law Expenses.
30. Insurance.
31. Relief Department Expenses.
32. Pensions.
33. Stationery and Printing.
34. Other Expenses.
35. General Administration, Joint Facilities—Dr.
36. General Administration, Joint Facilities—Cr.

3. HARBOR TERMINAL TRANSFERS.

NOTE.—This classification applies to the service of transferring freight and passengers in cars by water between the terminal of a rail line and a station of the same line without direct rail connection, or between the terminal of a rail line and the tracks of a connecting carrier, and to the receipt and delivery of less-car-load freight between the carrier's terminals, and docks, wharves, landings, and steamships, and to the receipt and delivery of cattle, grain, and other freight in bulk in lighters, barges, and other vessels; and covers the transfers operated in New York Harbor and analogous operations elsewhere, if any.

In instances where the revenue of this operation consists of an arbitrary allotment from or division of the freight receipts, the revenue should be set up for all the freight handled (except company freight), including freight not routed for lighterage or flotage, but upon which such service was performed as a matter of convenience to the operating carrier, and including freight floated to one float-delivery point and carted or trucked to another float-delivery point.

The cost of cartage and truckage performed to complete deliveries should not be charged to outside operations.

No revenue should be set up for company freight lightered or floated.

OPERATING REVENUES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. LIGHTERAGE REVENUE.
- II. MISCELLANEOUS REVENUE.

OPERATING EXPENSES.

GENERAL ACCOUNTS.

- I. MAINTENANCE—
- II. TRANSPORTATION EXPENSES.
- III. GENERAL EXPENSES.

PRIMARY ACCOUNTS.

- I. MAINTENANCE—
 - 1. Dredging.
 - 2. Buildings, Fixtures, Docks, and Grounds.
 - 3. Terminal Tracks and Yards.
 - 4. Telegraph and Telephone Lines.
 - 5. Locomotives—Repairs.
 - 6. Locomotives—Renewals.
 - 7. Locomotives—Depreciation.
 - 8. Floating Equipment—Repairs.
 - 9. Floating Equipment—Renewals.
 - 10. Floating Equipment—Depreciation.
 - 11. Shop Machinery and Tools.

12. Injuries to Persons.
13. Other Expenses.
14. Maintaining Joint Facilities—Dr.
15. Maintaining Joint Facilities—Cr.

II. TRANSPORTATION EXPENSES—

16. Superintendence.
17. Charter of Boats.
18. Manning Boats.
19. Boat Supplies and Expenses.
20. Towing.
21. Wharfage and Demurrage.
22. Station Employees.
23. Station Supplies and Expenses.
24. Yard Employees.
25. Yard Supplies and Expenses.
26. Longshore Labor.
27. Other Shore Expenses.
28. Rent of Buildings, Docks, and Wharves.
29. Telegraph and Telephone Operation.
30. Other Expenses.
31. Loss and Damage.
32. Damage to Property.
33. Injuries to Persons.
34. Operating Joint Facilities—Dr.
35. Operating Joint Facilities—Cr.
36. Other Operations—Cr.

III. GENERAL EXPENSES—

37. Administration Expenses.
38. Law Expenses.
39. Insurance.
40. Relief Department Expenses.
41. Pensions.
42. Stationery and Printing.
43. Other Expenses.
44. General Administration, Joint Facilities—Dr.
45. General Administration, Joint Facilities—Cr.

4. ELECTRIC RAILWAYS.

NOTE.—Carriers operating a street or interurban electric railway as an outside operation should use the Classifications of Revenues and Expenses of Electric Railways, with such modification as may be necessary to give effect to the principles governing the accounts of Outside Operations as stated in the introductory letter on pages 5 to 7, inclusive, of this classification.

5. EXPRESS LINES.

NOTE.—Carriers operating an express service as an outside operation should use the Classifications of Revenues and Expenses for Express Companies, with such modification as may be necessary to give effect to the principles governing the accounts of Outside Operations as stated in the introductory letter on pages 5 to 7, inclusive, of this classification.

6. CAB AND OMNIBUS SERVICE.

OPERATING REVENUES.

This account includes a carrier's revenue from transfer of passengers and baggage by cabs, omnibuses, automobiles, and other vehicles, cab hire, livery, and all other revenue earned in connection with the operation of Cab and Omnibus Service.

NOTE.—No revenue should be set up for service performed for the operating carrier, but the cost of such service should be credited to Operating Expenses, Account No. IV, "Other Operations—Cr."

OPERATING EXPENSES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

PRIMARY ACCOUNTS.

I. MAINTENANCE—

- 1. Buildings, Fixtures, and Grounds.
- 2. Vehicles and Harness.
- 3. Horses—Renewals.
- 4. Other Expenses.

II. RUNNING EXPENSES—

- 5. Superintendence.
- 6. Drivers and Chauffeurs.
- 7. Horses—Feed and Care.
- 8. Stable Supplies and Expenses.
- 9. Loss and Damage.
- 10. Injuries to Persons.
- 11. Other Expenses.

III. GENERAL EXPENSES—

12. Administration Expenses.
13. Law Expenses.
14. Insurance.
15. Relief Department Expenses.
16. Pensions.
17. Stationery and Printing.
18. Other Expenses.

IV. OTHER OPERATIONS—Cr.

7. SLEEPING-CAR SERVICE.

OPERATING REVENUES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. BERTH AND SEAT REVENUE.
- II. COMMISSARY REVENUE.
- III. MISCELLANEOUS REVENUE.

OPERATING EXPENSES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. MAINTENANCE.
- II. CONDUCTING SLEEPING CARS.
- III. GENERAL EXPENSES.

PRIMARY ACCOUNTS.

I. MAINTENANCE—

1. Sleeping Cars—Repairs.
2. Sleeping Cars—Renewals.
3. Sleeping Cars—Depreciation.
4. Other Expenses.

II. CONDUCTING SLEEPING CARS—

5. Superintendence.
6. Station Expenses.
7. Conductors and Porters.
8. Train Expenses.
9. Cleaning Cars.
10. Commissary Supplies.
11. Laundry.
12. Loss and Damage.
13. Injuries to Persons.
14. Other Expenses.

III. GENERAL EXPENSES—

15. Administration Expenses.
16. Law Expenses.
17. Advertising.
18. Insurance.
19. Stationery and Printing.
20. Other Expenses.

8. PARLOR AND CHAIR CAR SERVICE.**OPERATING REVENUES.****GENERAL ACCOUNTS.****ACCOUNT.**

- I. PARLOR AND CHAIR CAR REVENUE.
- II. MISCELLANEOUS REVENUE.

OPERATING EXPENSES.**GENERAL ACCOUNTS.****ACCOUNT.**

- I. MAINTENANCE.
- II. CONDUCTING PARLOR AND CHAIR CARS.
- III. GENERAL EXPENSES.

PRIMARY ACCOUNTS.**I. MAINTENANCE—**

1. Parlor and Chair Cars—Repairs.
2. Parlor and Chair Cars—Renewals.
3. Parlor and Chair Cars—Depreciation.
4. Other Expenses.

II. CONDUCTING PARLOR AND CHAIR CARS—

5. Superintendence.
6. Employees.
7. Supplies and Commissary.
8. Injuries and Damages.
9. Other Expenses.

III. GENERAL EXPENSES—

10. Administration Expenses.
11. Insurance.
12. Stationery and Printing.

9. DINING AND SPECIAL CAR SERVICE.

OPERATING REVENUES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. DINING AND SPECIAL CAR REVENUE.
- II. MISCELLANEOUS REVENUE.

OPERATING EXPENSES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. MAINTENANCE.
- II. CONDUCTING DINING AND SPECIAL CARS.
- III. GENERAL EXPENSES.

PRIMARY ACCOUNTS.

I. MAINTENANCE—

- 1. Dining and Special Cars—Repairs.
- 2. Dining and Special Cars—Renewals.
- 3. Dining and Special Cars—Depreciation.
- 4. Other Expenses.

II. CONDUCTING DINING AND SPECIAL CARS—

- 5. Superintendence.
- 6. Employees.
- 7. Fuel and Supplies.
- 8. Injuries and Damages.
- 9. Other Expenses.

III. GENERAL EXPENSES—

- 10. Administration Expenses.
- 11. Insurance.
- 12. Stationery and Printing.

10. ELECTRIC LIGHT AND POWER PLANTS.

OPERATING REVENUES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. PLANT REVENUE.
- II. NON-PLANT REVENUE.

OPERATING EXPENSES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. MAINTENANCE OF BUILDINGS AND STRUCTURES.
- II. MAINTENANCE OF MANUFACTURING PLANT.
- III. COMMERCIAL EXPENSES.
- IV. PRODUCTION EXPENSES.
- V. GENERAL EXPENSES.
- VI. OTHER OPERATIONS—Cr.

II. GAS-PRODUCING PLANTS.

OPERATING REVENUES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. PLANT REVENUE.
- II. NON-PLANT REVENUE.

OPERATING EXPENSES.

GENERAL ACCOUNTS.

ACCOUNT.

- I. MAINTENANCE.
- II. COMMERCIAL EXPENSES.
- III. PRODUCTION EXPENSES.
- IV. DISTRIBUTION EXPENSES.
- V. GENERAL EXPENSES.
- VI. OTHER OPERATIONS—Cr.

12. CANALS.

NOTE. When a carrier operates a barge line on its own canal, the accounts prescribed under head of "Boat Lines" may be combined with those below, and such operation should be called "Canals and Barge Lines;" but items arising from the operation of canals and of barge lines in the canals should not be combined in any one account. In cases of this kind a full statement of the facts and a list of the accounts to be kept must be filed in the office of the Division of Statistics and Accounts of the Interstate Commerce Commission.

OPERATING REVENUES.

This account includes a carrier's revenue from canal tolls, and all other revenue from the operation of canals.

OPERATING EXPENSES.**ACCOUNT.**

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.

13. GRAIN ELEVATORS.

NOTE.—This classification applies to grain elevation, grading, cleaning, mixing, cooling, clipping, transferring, and other services not incidental to transportation by rail performed by a carrier in connection with the operation of grain elevators.

Elevation is defined as unloading grain from cars or grain-carrying vessels into a grain elevator and loading it out again. It does not include "treatment" or grading, cleaning, and clipping of grain.

OPERATING REVENUES.**ACCOUNT.**

- I. ELEVATION AND STORAGE REVENUE.
- II. MISCELLANEOUS REVENUE.

OPERATING EXPENSES.**ACCOUNT.**

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

14. STOCK YARDS.

NOTE.—The operation of pens and feeding yards in connection with the transportation of live stock, made necessary by Government regulations, should not be treated as an outside operation.

OPERATING REVENUES.

This account includes a carrier's revenue from feeding, watering, bedding, and otherwise caring for stock, shearing sheep, dipping sheep and cattle, stabling horses, and all other services; also profit from inspection of, and insurance on stock in yards, and all other revenue in connection with the operation of stock yard service.

OPERATING EXPENSES.

ACCOUNT.

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

15. COMMERCIAL TELEGRAPH AND TELEPHONE LINES.

NOTE.—See Account No. 17, Classification of Operating Revenues for Steam Roads.

OPERATING REVENUES.

This account includes a carrier's revenue from telegrams, telephone messages, use of receivers, transmitters, switchboards, and other telephone equipment, messenger service, premiums and tolls on money transfers, press and market reports, and all other revenue in connection with the operation of commercial telegraph and telephone lines.

NOTE.—No revenue should be set up for services performed for the benefit of the operating carrier, but the cost of such services should be credited to Operating Expenses, Account No. IV, "Other Operations—Cr."

OPERATING EXPENSES.

ACCOUNT.

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

16. HOTELS AND RESTAURANTS.

NOTE.—The operation of hotels, restaurants, and lunch rooms located upon premises operated as amusement parks and resorts may, at the discretion of the carrier, be combined with Account No. 15, "Amusement Parks and Resorts."

OPERATING REVENUES.

This account includes a carrier's revenue at hotels, restaurants, and station lunch counters, from boarding, room rent, lunches and meals furnished, receipts from sale of tobacco and cigars, wines and liquors, newspapers, periodicals, baths, tonsorial services, billiard rooms and bowling alleys, laundry work when done for patrons and guests, special privileges, and all other revenues in connection with hotels, restaurants and lunch counters.

To this account should be charged amounts refunded for unused meal tickets and coupons, and other refunds of amounts previously credited to this account.

NOTE A.—No revenue should be set up for services or supplies furnished for the benefit of the rail department or another outside operation of the operating carrier, but the cost of such services or supplies should be credited to Operating Expenses, Account No. IV, "Other Operations—Cr."

NOTE B.—When meals are furnished employees and others at reduced rates, only the actual amount received for such meals shall be credited to this account.

OPERATING EXPENSES.

ACCOUNT.

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

17. AMUSEMENT PARKS AND RESORTS.

NOTE.—This classification, at the direction of the carrier, may include "Hotels and Restaurants" located on the premises of amusement parks and resorts and operated in connection therewith.

OPERATING REVENUES.

This account includes amounts received by a carrier for admission to amusement parks and places of entertainment and recreation therein contained, when operated by the carrier, such as roller skating rinks, bowling alleys, theatres, menageries, play houses, bath houses, swimming pools, dance halls, and billiard rooms, including use of equipment or privileges in connection therewith; receipts from sale of food and refreshments at lunch counters, eating houses, cafés, saloons, cigar stands, ice cream and soda water booths or parlors, and other similar places; rent of cottages and other dwellings or portions thereof for the season or shorter periods; services of guides, trappers, fishermen, drivers, and other employees when charged for at other than cost; hire of horses, equipage, boats, launches, and canoes; use of golf links and tennis courts, payments from concessionaires and receipts from other sources and facilities for entertainment, recreation, and accommodation operated in connection with amusement parks and resorts.

NOTE A.—No credit should be made to this account for services, material, and supplies furnished to the rail department or other outside operations, but the cost of such service, etc., should be credited to Operating Expenses, Account No. IV, "Other Operations—Cr."

NOTE B.—When meals, admission, and other supplies and services are furnished to the carrier's employees at reduced rates, only the actual amount received shall be credited to this account.

OPERATING EXPENSES.

ACCOUNT.

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

18. COAL STORAGE PLANTS.

OPERATING REVENUES.

This account includes a carrier's revenue from the storage of coal, whether by direct charge or apportionment from freight revenue; also revenue from unloading and reloading coal to and from such storage piles, and all other revenue in connection with the operation of coal storage plants.

NOTE.—No revenue should be set up for services performed and material furnished for the benefit of the operating carrier, but the cost of such service or material should be credited to Operating Expenses, Account No. IV, "Other Operations—Cr."

OPERATING EXPENSES.

ACCOUNT.

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

19. COLD-STORAGE PLANTS.

NOTE.—This classification applies to cold-storage facilities operated by a carrier in outside commercial service. It does not include facilities furnished at stations for the storage of freight in transit or awaiting delivery, the revenues of which are classified in Account No. 14, page 14, of the Classification of Operating Revenues, First Issue.

OPERATING REVENUES.

This account includes a carrier's revenue from cold storage of commodities and all other revenue derived from operating cold storage plants.

NOTE A.—No credit should be made to this account for services, materials, and supplies furnished the rail department or other outside operations, but the cost of such services, etc., should be credited to Operating Expenses, Account No. IV. "Other Operations—Cr."

NOTE B.—When storage, and other services and supplies are furnished the carrier's employees and others at reduced rates, only the actual amount received shall be credited to this account.

OPERATING EXPENSES.**ACCOUNT.**

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

20. COMMERCIAL ICE-SUPPLY PLANTS.**OPERATING REVENUES.**

This account includes a carrier's revenue from sale of natural or manufactured ice and distilled water; and all other revenue in connection with operating commercial ice-supply plants.

NOTE A.—No credit should be made to this account for services, ice water, etc., furnished to the rail department or other outside operations, but the cost of such services, etc., should be credited to Operating Expenses, Account No. IV, "Other Operations—Cr."

NOTE B.—When ice, water, and other services and supplies are furnished to the carrier's employees at reduced rates, only the actual amount received shall be credited to this account.

OPERATING EXPENSES.**ACCOUNT.**

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

21. PUBLIC TOLL-BRIDGE SERVICE.**OPERATING REVENUES.**

This account includes carrier's revenue from operating a public toll bridge, for passage of equestrians, pedestrians, vehicles of all descriptions, street cars and omnibuses, cattle, horses, sheep, swine and other animals in charge of drovers and others; advertising privileges; payments from concessionaires and for accommodations furnished telegraph and telephone lines; and all other revenues in connection with the operation of public toll-bridge service.

NOTE A.—No credit should be made to this account for passage or services furnished the rail department or other outside operations, but the cost of this service should be credited to Operating Expenses, Account No. IV, "Other Operations—Cr."

NOTE B.—When passage and other services are furnished to the carrier's employees at reduced rates, only the actual amount received shall be credited to this account.

OPERATING EXPENSES.**ACCOUNT.**

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

MISCELLANEOUS.**OPERATING REVENUES.**

This account includes a carrier's revenue from conducting an outside operation not otherwise classified.

NOTE A.—No credit should be made to this account for services, material, and supplies furnished the rail department or other outside operations, but the cost of the service should be credited to Operating Expenses, Account No. IV, "Other Operations—Cr."

NOTE B.—When services, material, and supplies are furnished to the carrier's employees at reduced rates, only the actual amount received shall be credited to this account.

OPERATING EXPENSES.**ACCOUNT.**

- I. MAINTENANCE.
- II. RUNNING EXPENSES.
- III. GENERAL EXPENSES.
- IV. OTHER OPERATIONS—Cr.

CLASSIFICATION OF EXPENDITURES FOR ADDITIONS AND BETTERMENTS

FIRST REVISED ISSUE

EFFECTIVE JULY 1, 1910

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, June 1, 1910.

TO CARRIERS CONCERNED:

The Classification of Expenditures for Additions and Betterments, First Issue, was promulgated under date of June 21, 1909.

A study of the questions arising from the application of that classification, and a consideration of the suggestions submitted by those responsible for its application, have led to the conclusion that it is desirable, at this time, to issue a revised edition and to grant carriers certain options which the previous classification did not grant.

A new account, A 22, "Roadway Machinery and Tools," is provided to include the cost of such roadway machinery and tools (other than small hand tools) as may, under the conditions therein imposed, properly be included in the property accounts. The title of the account "Miscellaneous Structures," as it appeared in the First Issue, has been changed to "Other Additions and Betterments," and the scope of the account has been somewhat enlarged. The General Instructions and the text of several accounts have been rewritten for the purpose of making clear certain points about which doubts have been expressed.

The text of the Equipment account now provides that when equipment is practically rebuilt the reserve for accrued depreciation shall be adjusted and the basis for depreciation on such equipment amended to meet the changed conditions. In making an estimate of a proper rate to be applied for depreciation on equipment, it will be necessary to consider only its probable life in service as prolonged by usual repairs.

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GENERAL INSTRUCTIONS.

1. APPLICATION OF THIS CLASSIFICATION.—This classification should be so applied as to reflect the net increase or decrease (determined according to the rules provided) in the investment of a carrier in such property as is used in the operation of railways as transportation agencies, including outside operations incidental to furnishing transportation. Entries in the accounts prescribed in this classification should be made only with respect to additions to, betterments of, and withdrawals and retirements of property composing the plant and equipment of existing main and branch lines, including sidings and spur tracks and the necessary buildings, structures, and facilities. Until such time as a new railway or any important section of it, constructed as an extension of existing main or branch lines or as a new project, has reached such a stage of completion that it is, or may be, regularly operated for the purposes of a common carrier, expenditures proper to be included in the accounts representing the cost of road and equipment should be charged directly to the accounts prescribed in the Classification of Expenditures for Road and Equipment, and not to the accounts in this classification.

2. INCLUSION OF ALL ADDITIONS, BETTERMENTS, AND DEDUCTIONS.—The accounts herein provided should include the cost of additional land, buildings, structures, and facilities, not taking the place of any property of like purpose previously held by the accounting carrier; the cost of newly acquired equipment; the cost of improving land, buildings, structures, facilities, and equipment by additions thereto not involving the replacement of the property improved; the excess cost of improved buildings, structures, or facilities (except land and equipment) over the cost of replacing in kind structures and facilities of like purpose demolished, abandoned, or withdrawn from service; and the necessary credits to represent property abandoned, sold, or otherwise retired from service.

3. EXCLUSION OF DISCOUNTS.—When the consideration actually given for anything, with respect to which a charge is made to any account in this classification, is anything other than money, the actual consideration should be described in the entry with sufficient fullness and particularity to identify it, and the amount charged should be the actual money value of the consideration at the time of the transaction. No discount on securities or other commercial paper should be included in the cost of any property or improvement. Provision is made, however, in account A 34, "Interest and Commissions," for the inclusion in that account of bona fide interest accruing during the period of construction on money borrowed and expended for additions and betterments, but it should not be construed to cover any interest in excess of that accruing on the amount necessary for actual additions and betterments, between the time when the money becomes available and the time when the property acquired or

improved is completed or received or available for the service for which it is intended.

4. **PROPERTY RETIRED AND REPLACED.**—When property (other than land or equipment), a betterment of which would be chargeable to the accounts of this classification, is abandoned, demolished, or otherwise retired from service for the purpose of or by reason of its replacement by property of like purpose of a better kind or a higher type, the cost of replacing in kind the property so abandoned or withdrawn from service, less the salvage, if any, should be charged to Operating Expenses. If, however, a reserve for abandonment, as provided in paragraph 8 of these instructions, or a reserve for accrued depreciation has been created with respect to such property, the reserve account should be first debited with an amount equal to the credits thereto made with respect to the property abandoned or withdrawn and replaced; but if no reserve has been created in advance of the retirement of such property and the amount chargeable to Operating Expenses is relatively large, so much of the amount as may be authorized under the conditions outlined in paragraph 9 may be carried in suspense for distribution to the operating expenses of succeeding years.

5. **PROPERTY RETIRED AND NOT REPLACED.**—When property (other than equipment), an addition to or a betterment of which would be chargeable to the accounts of this classification, is abandoned or withdrawn from service and not replaced, the cost (estimated, if not known), should be credited to the account provided herein for such property; proper account should be taken of any salvage; the reserve accounts for abandonment and accrued depreciation should be debited with the amounts, if any, previously credited thereto with respect to the property abandoned or withdrawn, and the difference between the salvage plus the reserves and the cost should be charged to Profit and Loss, to which should also be charged any incidental expenses connected with the retirement.

6. **LAND SOLD OR ABANDONED.**—If any land, except land the cost of which may be classified under “Miscellaneous Investments” in the Form of General Balance Sheet Statement, First Revised Issue, is abandoned or its use discontinued, the original cost of the land (estimated, if not known) should be credited to the appropriate accounts under Additions and Betterments and charged, less salvage from sale or other disposal, if any, to Profit and Loss. If the land is retained by the carrier, it should be charged at a fairly appraised value to an appropriate account to be included under “Miscellaneous Investments” in the Form of General Balance Sheet Statement, First Revised Issue.

7. **EQUIPMENT.**—Accounting rules relative to the cost of equipment acquired and equipment retired are contained in the text for account A 33, “Equipment.”

8. **RESERVES FOR ABANDONMENTS.**—If so authorized upon application to the Interstate Commerce Commission, a carrier may set up accounts under Maintenance of Way and Structures in Operating Expenses with

respect to important pieces of property (except equipment) to be abandoned, for the purpose of creating such reserves as will, at the time of the abandonment, meet or reduce the amounts otherwise chargeable to Operating Expenses or to Profit and Loss. Upon the abandonment of any property with respect to which a reserve has been created, such portion of the amount otherwise chargeable to Operating Expenses or to Profit and Loss as will equal the amount previously credited to the reserve account should be debited thereto.

9. DISTRIBUTION OF CHARGES FOR ABANDONED PROPERTY.—In case the amount chargeable to operating expenses for property abandoned directly in connection with improvements is relatively large, and its inclusion in a carrier's operating expenses for a single year would unduly burden those accounts for that year, a carrier may, if so authorized upon application to the Interstate Commerce Commission, charge so much of the cost as may be authorized to an account "Property Abandoned, Chargeable to Operating Expenses," as provided in the Form of General Balance Sheet Statement, First Revised Issue. The amount so charged should thereafter be apportioned to the operating expenses of succeeding years, the number of which will be determined when permission to use the account is given.

10. CONVERSION OF PROPERTY FROM ONE CLASS TO ANOTHER.—When a building, structure or facility of one class is converted to another class, its cost (estimated, if not known), should be credited to the appropriate account under Additions and Betterments; and such cost, less depreciation and the cost of any abandoned part of the property, should be charged, together with the cost of improvements which add to the value of the property, to the Additions and Betterments account under which it is classified after conversion. If any part of such property is abandoned, the cost of such part should be treated as is provided for property abandoned in paragraph 4 or 5 of these instructions.

11. DEFINITION OF "COST OF REPLACING IN KIND."—By the term "Cost of replacing in kind," as used in this classification is meant the cost, at the current prices of labor and material, of renewing such property by the construction or installation of other property substantially similar in capacity, service, and accessories, and having a physical condition and an expectation of life in service equal to that of the replaced property when acquired, or, if improved after acquirement, when in its best condition. It should not be construed as requiring an estimate based upon the current prices of material identical with that of which the thing abandoned was constructed, particularly when such material is no longer obtainable except at prohibitive prices and would not be used if a renewal of the property without betterment were undertaken.

12. TREATMENT OF ABANDONED PROPERTY WHEN COST IS UNDERSTATED.—In case a specific piece of property, abandoned subsequently to June 30, 1907, had been, previously to that date, so improved through charges to Income, Profit and Loss, or Operating Expenses, that the book value or

record value is much less than the actual cost of the property, a carrier may, upon filing with the Interstate Commerce Commission a full description of the property and of the proposed improvements which require its abandonment and a comprehensive statement explanatory of the conditions which justify such treatment, and upon receiving the approval of the Commission, accept such book value as a basis for computing the amount to be charged to Operating Expenses with respect to the property abandoned. The amount to be charged to Operating Expenses under such conditions should be the same proportion of the cost of replacing the property in kind as the book value is of the total actual cost.

13. OPTION IN CERTAIN CASES INVOLVING LESS THAN \$200.—If the total amount chargeable to any account herein provided (unless it is specifically excepted from this option) is less than \$200 for any improvement considered as a whole, the option may be exercised of charging the amount expended to Operating Expenses as a renewal or to the appropriate account in this classification. This is not to be construed as authorizing the parceling of expenditures in order to bring them within this limit. If any unit of property the cost of which is less than \$200 is abandoned and not replaced, the option may be exercised (unless the accounts covering such property are specifically excepted from this option) of making no credit entry with respect to such abandonment.

14. RECLASSIFICATION OF CHARGES.—The net increase or decrease in the investment as reflected by these accounts should be reclassified in accordance with the accounts provided in the Classification of Expenditures for Road and Equipment, it being required that all items affecting additions and betterments be closed into the Road and Equipment accounts.

15. INCIDENTAL SERVICES OF EMPLOYEES.—No charge should be made against Additions and Betterments for incidental services of officers and employees whose time is regularly devoted to other operations. If employees are specially assigned to additions and betterments work, their salaries and necessary expenses connected with that work should be included in its cost. In the redistribution of the expenditures covered by this classification in accordance with the Classification of Expenditures for Road and Equipment, engineering expenses should be charged to account No. 1, "Engineering," and not to the accounts representing the specific work under construction or improvement.

16. SALVAGE FROM EQUIPMENT, TOOLS, ETC.—When the cost of any work equipment, machinery, tools, or materials and supplies has been charged to accounts representing the cost of work involving additions and betterments and the entire value thereof has not been consumed in the work, the residual value of such work equipment, machinery, tools, or materials and supplies should be credited upon the completion of the work to the accounts affected and charged to the appropriate equipment or material accounts.

17. RESERVE FOR ACCRUED DEPRECIATION.—The accounts heretofore re-

ferred to as "Replacement" accounts should hereafter be kept under the name of "Reserve for Accrued Depreciation." The total of the credit balances in these accounts is required to be shown under this title on the balance-sheet statement. All debits to Operating Expenses (or other accounts) for depreciation should be concurrently credited to the appropriate accounts representing the Reserve for Accrued Depreciation on the classes of property for which the charges are made.

18. CANCELLATION OF CONFLICTING PREVIOUS INSTRUCTIONS.—This Classification supersedes the Classification of Expenditures for Additions and Betterments for Steam Roads, First Issue; and the rules herein provided supersede conflicting instructions in any other classification previously issued.

TEXT OF CLASSIFICATION OF EXPENDITURES FOR ADDITIONS AND BETTERMENTS

A 1. RIGHT OF WAY AND STATION GROUNDS

To this account should be charged the cost of land (of necessary width conformable to depth and slope of excavations and embankments, including borrow pits and waste banks adjoining right of way) acquired for roadbed for additional main tracks; for new roadbed on account of changes of line, and for the construction of new and the extension of existing sidings and spur tracks; for additional station, terminal, and shop grounds, including land for ingress to or egress from such grounds; also for additional docks or wharves, and the cost of riparian or water rights necessary therefor.

The cost of stakes used to denote right-of-way limits; expenses of appraisals or of juries, commissioners, or arbitrators in condemnation cases; cost of removal of buildings from additional right of way or station, shop, and terminal grounds purchased; commissions paid to outside parties for the purchase of additional right of way and grounds for the purposes above described; notarial fees, cost of plats, abstracts, recording deeds; salaries and expenses of counsel, right-of-way agents, engineers and assistants, when they are specially assigned to duties pertaining to the acquisition of right of way and station grounds; payments for right of way and station grounds on constructed lines, the title to which lands had not been acquired and payment for which had not been made before the construction accounts were closed; and payments for damages to abutting property caused by the construction of additional tracks, etc., as above described, should also be charged to this account. (See account A 17, "Elimination of Grade Crossings.")

NOTE A.—Proceeds from the sale of improvements included in a purchase of real estate, the cost of which is included in "Right of Way and Station Grounds," should be credited to this account.

NOTE B.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

A 2. REAL ESTATE

To this account should be charged the cost of additional land (except for right of way and station, shop, and terminal grounds), acquired for use in the company's operations as a carrier, and the cost of real estate acquired in the purchase of additional right of way and station, shop, and terminal grounds, but in excess of the land required for such purposes. This account should also include incidental expenses (or the proper proportion thereof), as enumerated in account A 1, incurred in the purchase of real estate chargeable to this account.

NOTE A.—In case the purchase of land for right of way and station grounds involves the acquisition of real estate that is not required for such purposes, the actual value of the real estate in excess of that required for right of way and station grounds, or an estimate of its saleable value at the time of the purchase, should be charged to this account.

NOTE B.—When property charged to the "Real Estate" account becomes a part of a carrier's right of way or station grounds the amount originally charged should be credited to this account and charged to account A 1, "Right of Way and Station Grounds."

NOTE C.—Proceeds from the sale of improvements included in a purchase of real estate, the cost of which is included in the "Real Estate" account, should be credited to the same account.

NOTE D.—This account does not apply to real estate, the title to which is not held in the name of the railway company, to any acquired for investment purposes only, or to any not used in a carrier's operations, unless acquired as a part of land that is bought for such purposes.

NOTE E.—The \$200 minimum referred to in paragraph 18 of the General Instructions does not apply to amounts to be included in this account.

A 3. WIDENING CUTS AND FILLS

To this account should be charged the cost of increasing the width and slope of established cuts and fills, excavating in order to convert tunnels into open cuts, and filling in order to convert bridges, trestles, and culverts into fills. It includes the cost of grading, clearing, grubbing, and material, and incidental expenses not necessary to the maintenance of the cuts and fills as previously established.

NOTE.—The cost of restoring banks, to the established width, slope, or grade should be charged to the appropriate operating expense accounts. The cost of work done in the execution of a general plan of increasing the standard width and slope of embankments should be divided between Operating Expenses and Additions and Betterments, the charge to Operating Expenses being such proportion of the total cost as the estimated number of yards of material required to restore the banks to the original standard bears to the total number of yards moved in the work. There should also be charged to Operating Expenses the cost of dressing the slopes of cuts and fills, reditching cuts, replacing berm ditches, and necessary repairs to track, ballast, etc.

A 4. PROTECTION OF BANKS AND DRAINAGE

To this account should be charged the cost of additional construction of a permanent nature, such as piling, cribbing, riprap, walls, breakwaters, levees, canals, dams, and other devices for the protection of roadbed, tracks,

embankments, cuts, slopes, and other property used in the operation of a road from erosion or inundation by water. It does not include the cost of structures or devices of a temporary character installed for the immediate relief from or as a safeguard against damage by water.

NOTE.—The cost of riprap at culvert ends or around bridge abutments or piers, to prevent washing or scouring, is chargeable to account A 7, "Bridges, Trestles, and Culverts," when not properly an operating expense.

A 5. GRADE REDUCTIONS AND CHANGES OF LINE

To this account should be charged:

For grade reductions (cutting down summits and raising sags without materially changing the alinement): The cost of additional grading, including the rent and cost of operation of steam shovels and work trains; building temporary tracks for steam shovels and grading outfits; tools used in the work; raising or lowering existing bridges; increasing the length of culverts and replacing riprap at culvert ends; changing grade crossings for farm or country roads, highways, or streets, including crossing gates, alarms and watchhouses: less the cost of replacing in kind grades or other property abandoned or removed.

For changes of alinement (alteration of alinement for the purpose of reducing curvature, cutting out bridges, tunnels, etc.): The excess cost of the grading, bridging, tunneling, etc., necessary for the change, over the cost of replacing in kind the grade, bridges, tunnels, etc., abandoned.

For changes of line (construction of new lines for the purpose of improving grade or alinement): The difference between the cost of the new line and the cost of replacing in kind the line abandoned, excluding the cost of right of way for both lines, but including the cost of engineering, clearing, grubbing, and grading; tunnels, bridges, trestles, and culverts; ties, rails, frogs, and switches; track fastenings and appurtenances; ballasting, tracklaying, and surfacing; fencing right of way; crossings and signs; interlocking and signal apparatus; telegraph and telephone lines; also cost of tools, rent and cost of operation of steam shovels, other work equipment, locomotives and cars, and pay of crews employed in the work.

NOTE A.—The cost of such grading as is necessary to restore banks or cuts to the original width, slope, and grade; raising, lowering, and shifting tracks; keeping tracks in repair and in condition for handling traffic during the progress of the work, including the cost of protecting traffic while passing over the tracks; reballasting, lining, and surfacing tracks on completion of the work; moving and replacing riprap or other bank protection, and moving and relocating telegraph or telephone poles, signals, fences, buildings, etc., should all be charged to the appropriate operating expense accounts.

NOTE B.—The cost of buildings, water and fuel stations, and similar structures on a changed line should not be charged to this account, which is intended to cover the roadway and track only, but should be charged to the appropriate accounts herein provided for the different classes of buildings and structures.

A 6. TUNNEL IMPROVEMENTS

To this account should be charged the excess cost of enlarged tunnels (except to provide for additional main tracks) over the cost of replacing in kind the smaller tunnels; the excess cost of lining tunnels with stone, brick, or concrete over the cost of replacing in kind a less durable lining removed; and the cost of ventilating and lighting apparatus and of other safety devices, except guard rails and signals, added to tunnels.

NOTE.—If a tunnel is converted into an open cut, the cost of clearing, grubbing, and excavating (including the cost of disposing of the excavated material) should be charged to account A 3, "Widening Cuts and Fills." The cost of removing the lining of the tunnel, of protecting tracks and trains while the lining is being removed, and of restoring the tracks to proper condition for operation should be charged to the appropriate operating expense accounts.

A 7. BRIDGES, TRETTLES, AND CULVERTS

To this account should be charged the excess cost of new bridges, trestles and culverts carrying tracks over streams, ravines, streets, or other railways, over the cost of replacing in kind bridges, trestles, or culverts removed or abandoned, including the cost of abutments, piers, supports, draw and pier protection; machinery to operate drawbridges; guard rails; inspection of material; tests; wing walls to abutments and culverts, masonry or concrete ends for culverts, riprap at culvert ends or around abutments; piers, dams, cribs, ice breakers; and painting (except repainting). It includes, also, the cost of additional parts or appurtenances and the excess cost of improved parts or appurtenances of bridges, trestles, and culverts over the cost of replacing in kind parts or appurtenances removed.

NOTE A.—The cost of removing old material and protecting traffic during improvements should be charged to Operating Expenses.

NOTE B.—When a bridge or trestle, or part of a bridge or trestle, is converted into a fill the cost (estimated, if not known) of the bridge or trestle if completely filled, or of such part of it as may be filled, should be credited to this account and charged, less salvage, to Operating Expenses. Such part of the original structure as would equal in cost the temporary trestling that would have been necessary to the construction of the fill in the first instance should be considered as salvage. The cost of filling, including such salvage, should be charged to account A 3, "Widening Cuts and Fills."

The cost of constructing bridges, trestles, or culverts where none previously existed, made necessary by the stopping up of natural waterways by the construction of embankments, should be charged to this account; the cost of that part of the embankment removed being credited to account A 3, "Widening Cuts and Fills," and charged to the appropriate operating expense account, which should also be charged with the cost of removing the embankment.

NOTE C.—When the construction of new bridges, trestles, or culverts is made necessary by reason of grade reductions or changes in line or the building of additional main tracks, sidings, spur tracks, or terminal yards, or by such work as elimination of grade crossings, or reconstruction of road purchased, the cost thereof should not be included in this account, but in the account under which is classified the cost of the work that makes necessary the construction of the bridges, trestles, or culverts.

A 8. INCREASED WEIGHT OF RAIL

To this account should be charged the excess cost of heavier rails applied to existing tracks, over the cost of rails of the same weight as the original pattern of the rails released, the cost to be based upon the price per ton (including freight and inspection) of the rails used in relaying the tracks.

NOTE A.—The cost of distributing, laying, spiking, and jointing rails, surfacing and lining track, and picking up and removing old rails should be charged to Operating Expenses.

NOTE B.—In cases where the rails first applied to any tracks were second-hand rails and no more than the actual cost of such rails is carried in the accounts representing the cost of road and equipment, the excess cost of new rails or heavier rails used for relaying the tracks over the cost (at prices current at the time of replacement) of rails of a weight and condition equal to the weight and condition of the released rails, when applied, may be charged to this account.

NOTE C.—If the rails released from a carrier's main tracks are utilized in relaying the tracks of its branch lines, sidings, or spurs, previously laid with rails of a lighter pattern, the entire salvage value of rails so applied, less salvage from rails so replaced, may be charged to Operating Expenses as renewals, if the carrier deems it proper so to do.

A 9. IMPROVED FROGS AND SWITCHES

To this account should be charged the excess cost of heavier frogs and switches over the cost of replacing in kind frogs and switches removed, the charge to be based upon the excess weight of the frogs and switches put in, if bought by weight. If the frogs and switches are of an improved (or patented) type, the excess cost of such frogs and switches over the cost of replacing those removed with others of the same pattern should be charged to this account.

NOTE A.—The cost of distributing new frogs and switches and picking up and loading frogs and switches removed in the course of betterment work should be charged to Operating Expenses.

NOTE B.—No entry is required in this account with respect to improved frogs and switches unless they are installed under a definite plan of improvement, such as increasing the weight of rail.

A 10. TRACK FASTENINGS AND APPURTENANCES

To this account should be charged the cost of additional track fastenings and appurtenances and the excess cost of heavier or improved track fastenings and appurtenances over the cost of replacing in kind similar material removed, such as antireepers, anglebars, connecting rods, guard rails (except on bridges, trestles, and culverts), guard-rail clamps and fasteners, nuts, nut locks, rail braces, rail chairs, rail slips, rail joints, splice bars, tie plates, and like material.

NOTE A.—The cost of distributing and applying new track fastenings and appurtenances and of picking up and loading material removed in the course of betterment work should be charged to Operating Expenses.

NOTE B.—No entry is required in this account with respect to improved track fastenings and appurtenances, unless they are applied under a definite plan of improving the tracks.

A 11. BALLAST

To this account should be charged the cost of ballasting tracks not previously ballasted, and the excess cost of ballasting other tracks over the cost of restoring to its maximum height the ballast previously put on the roadbed. It includes the cost of broken stone, slag, gravel, or other material especially provided for ballast; and the expense of loading (except when necessary to dispose of waste material such as cinders from cinder pits), hauling, and unloading, including the rent and expenses of locomotives and cars and the pay of crews engaged in hauling and distributing; cost of spreading ballast and putting it under track, and cost of tools used in this work.

NOTE.—The cost of keeping tracks passable for traffic while being ballasted should be charged to the appropriate operating expense accounts.

A 12. ADDITIONAL MAIN TRACKS

To this account should be charged the cost (excepting cost of right of way) of new second or other additional main tracks built alongside existing main tracks or built as additional main tracks during a change in the location of the existing main track or tracks. It includes the cost of engineering; clearing and grubbing; grading; tunnels (either new tunnels or the enlargement of existing tunnels to accommodate additional track or tracks); bridges, trestles, and culverts; ties, rails, frogs, and switches; track fastenings and appurtenances; ballasting, tracklaying, and surfacing; interlocking and signal apparatus; also the cost of tools, the rent and expenses of locomotives and cars, and the pay of crews employed on the work.

NOTE A.—If, in constructing additional main tracks, it is necessary to remove or relocate telegraph or telephone poles or lines, fences, track signs or signals, buildings or other structures, or other tracks; or to relocate or reconstruct farm, country-road, or street crossings, including crossing gates, alarms and watchhouses, the cost of such work should be charged to the appropriate operating expense accounts.

NOTE B.—When a change of line is undertaken and more main tracks are laid on the new line than there were on the abandoned line, such portion of the cost of building the new line as represents the additional cost caused by providing the additional main tracks should be charged to this account and not to account A 5, "Grade Reductions and Changes of Line."

A 13. SIDINGS AND SPUR TRACKS

To this account should be charged the cost (except cost of right of way) of additional spur tracks, passing tracks, side tracks, and additional tracks in yards other than yards at division or train terminal points, and the cost of extending existing tracks of the kinds mentioned. This account includes engineering expenses; clearing and grubbing; grading; the cost of bridges, trestles, and culverts; ties, rails, frogs, and switches; track fastenings and appurtenances; ballasting, tracklaying, and surfacing; interlocking and signal apparatus; also the cost of tools, the rent and expenses

of locomotives and cars, and the pay of crews employed on the work. It does not include the cost of tracks in shop buildings or enginehouses, on transfer tables or turntables, tracks leading from transfer tables or turntables to shop buildings or enginehouses, tracks on inclines to fuel stations, or to and in ballast pits and ballast quarries.

NOTE A.—Expenditures made for the construction of branch lines are to be charged in accordance with the Classification of Expenditures for Road and Equipment. Branch lines are defined as lines serving one or more stations beyond the point of junction with main line or another branch line, to or from which stations regular tariff rates are in effect. Spur tracks are defined as lines constructed to reach or serve industries, such as mills, mines, smelters, factories, etc., over which regularly scheduled passenger or freight train service is not performed, and for transportation over which only a switching charge, if any, is made.

NOTE B.—If, in the construction of additional or in the extension of existing passing tracks, side tracks, or spurs, it is necessary to remove or relocate telegraph or telephone poles or lines, fences, track signs or signals, buildings or other structures, or other tracks; or to relocate or reconstruct farm, country-road, or street crossings, including crossing gates, alarms, and watchhouses, the cost of such work should be charged to the appropriate operating expense accounts.

NOTE C.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

A 14. TERMINAL YARDS

To this account should be charged the cost (except the cost of right of way) of additional terminal yards and the cost of enlarging existing terminal yards at or near the termini of roads or divisions or at junctions with branch lines, in which trains are made up and dispatched and cars sorted and stored. It includes engineering expenses; clearing, grubbing, and grading; the cost of bridges, trestles, and culverts; ties, rails, frogs, and switches; track fastenings and appurtenances; ballasting, tracklaying, and surfacing; interlocking and signal apparatus; also the cost of tools, the rent and expenses of locomotives, steam shovels, and cars, and the pay of crews employed on the work.

NOTE A.—When it is necessary to rearrange or relocate existing tracks in order to enlarge a terminal yard, the cost of such work should be charged to Operating Expenses.

NOTE B.—If, in the construction of additional or the enlargement of existing terminal yards, it is necessary to remove or relocate telegraph or telephone poles or lines, fences, tracks signs or signals, buildings or other structures, or other tracks; or to relocate or reconstruct farm, country-road, or street crossings, including crossing gates, alarms, and watch-houses, the cost of such work should be charged to the appropriate operating expense accounts.

NOTE C.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

A 15. FENCING RIGHT OF WAY

To this account should be charged the cost of board, wire, rail, hedge, stone or other fences along the right of way or limits of roadbed not previ-

ously fenced, including crossing gates, cattle guards, and wing fences thereto.

NOTE A.—No charge should be made to this account for fences constructed on a change of line (see account A 5, "Grade Reductions and Changes of Line") around stock yards, fuel stations, station grounds, and shops, or on other properties outside the right of way. The cost of additional permanent or portable fences for the protection of tracks from snow or sand should be charged to account A 31, "Snow and Sand Fences and Snowsheds."

NOTE B.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

A 16. IMPROVEMENT OF CROSSINGS UNDER OR OVER GRADE

To this account should be charged the cost of improvements made to existing overhead bridges or subways carrying roads, highways, or streets over or under tracks. It includes the excess cost of improved overhead bridges or parts of bridges over the cost of replacing in kind existing bridges or parts of bridges; the cost of additions to overhead bridges made necessary by the construction of additional main tracks, sidings, spur tracks, and terminal yards, or the extension of existing ones, including the excess cost of new approaches to such bridges over the cost of replacing the approaches abandoned or removed; the cost of improvements to the roadway of existing overhead bridges and subways, including the roadway on the approaches thereto. If the extension of a bridge requires the alteration or modification of the existing structure, the excess cost of the improvement over the cost of replacing in kind the parts removed should be charged to this account.

NOTE A.—The cost of taking down abutments, piers, posts, etc., of overhead bridges and rebuilding them in new locations should be charged to the appropriate operating expense accounts.

NOTE B.—The cost of improving bridges and trestles carrying tracks over streets should be charged to account A 7, "Bridges, Trestles, and Culverts," and the cost of substituting overhead bridges or subways under tracks for existing grade crossings should be charged to account A 17, "Elimination of Grade Crossings."

NOTE C.—When subways or undergrade crossings are built in connection with grade reductions or changes of line, or the construction or extension of existing main tracks, sidings, and spur tracks, or terminal yards, the cost of the subways and of the bridges carrying the tracks over them should be charged to the appropriate account as a portion of the cost of such tracks or work.

A 17. ELIMINATION OF GRADE CROSSINGS

To this account should be charged the cost of eliminating grade crossings by carrying railroads, streets, highways, country roads, or farm crossings over or under a carrier's tracks. It includes the cost of land necessary for the relocation of tracks, streets, or roads; damages to adjacent property and expenses of any litigation incidental thereto; the cost of elevated structures, retaining walls, or subways for carrying tracks over or under streets or roads; overhead bridges and subways (except when at stations and not public highways) carrying streets or roads over or under tracks; lowering or raising railway tracks, depots, platforms, and other buildings; grading

approaches to subways and bridges; changing locations of streets or roads, and expenses incidental to such work, such as grading, paving, changing sewers, drains, water and gas pipes, and the like; and other necessary expenses for the elimination of crossings at grade.

NOTE A.—The cost of all repairs to tracks, raising or lowering them as filling or excavation progresses; keeping them in condition to handle traffic, and protecting traffic thereon; ballasting on completion of work (if previously ballasted); repairs to interlocking, block, and other signal systems, including the elevation or depression thereof during the progress of work, and other similar expenses, should be charged to the appropriate operating expense accounts.

NOTE B.—Amounts collected from States, municipalities, or others as their contributions to or proportion of the cost of eliminating grade crossing should be credited to this account.

A 18. INTERLOCKING APPARATUS

To this account should be charged the cost of additional interlocking plants or apparatus, and the excess cost of enlarged or improved interlocking plants or apparatus over the cost of replacing in kind interlocking plants or apparatus removed. It includes the cost of labor and of material, such as levers, racks, wires, pulleys, semaphores, semaphore signals, ground signals, posts, box troughs, and other fixtures; towers, power plants, batteries, wire, and other necessary material. If the improvement or enlargement of interlocking apparatus involves a partial destruction and reconstruction of the plant, the excess cost of the improvement or enlargement over the cost of replacing in kind the parts removed should be charged to this account.

NOTE A.—This account does not include the cost of additional or enlarged interlocking plants or apparatus made necessary by grade reductions and changes of line or by the building of additional main tracks, sidings, and spur tracks, or terminal yards.

NOTE B.—The cost of changing connections or locations of semaphores and other signals in the course of betterment work should be charged to Operating Expenses.

A 19. BLOCK AND OTHER SIGNAL APPARATUS

To this account should be charged the cost of additional apparatus for all classes of block or other stationary signals. It includes the cost of labor and of material, such as levers, racks, wires, pulleys, semaphores, semaphore signals, ground signals, posts, box trough, and other fixtures; and the cost of towers and offices or houses (other than station buildings) for block and signal operators; bonding rails; signal bells, including crossing alarm bells; power plants; batteries and wires; and other necessary appliances.

To this account should also be charged the excess cost of improved systems of block and other signal apparatus over the cost of replacing in kind existing signal apparatus.

NOTE.—The cost of altering or changing any system of block or other signals to connect two or more signal systems so that they may be operated as one system, and the cost of changing connections or locations during betterment work, should be charged to the appropriate operating expense account.

A 20. TELEGRAPH AND TELEPHONE LINES

To this account should be charged the cost of additional telegraph and telephone lines, including the cost of conduits, poles, cables, wires, billets, insulators, tie wires, instruments, and other material; also the cost of labor employed and tools used in this work. To it should also be charged the cost of additional telegraph and telephone wires on existing pole lines.

When an improved wire is substituted for an inferior wire, the excess cost of the improvement over the cost of replacing in kind the wire removed should be charged to this account.

A 21. STATION BUILDINGS AND FIXTURES

To this account should be charged the cost of additional station buildings or structures (except when classed as dock and wharf property), and the cost of additional fixtures, furniture and facilities necessary to equip such new buildings for service or to enlarge the equipment of existing station buildings and structures; also the excess cost of new buildings or parts of buildings or new furniture, fixtures, and facilities over the cost of replacing in kind buildings or parts of buildings, furniture, fixtures and facilities removed. It includes such items as architects' fees, cost of beautifying grounds, drainage systems, electric fixtures and wiring, elevators, excavations, fences, gas fixtures, footbridges (not highways), furniture, grading, heating apparatus, hedges, icing stations, paving, platforms, piping, pumps, sidewalks, stationary scales, station signs, stock pens, stoves, subways, turnstiles, water fixtures and wells.

NOTE.—The cost of restoring the condition of grounds after betterment work should be charged to Operating Expenses.

A 22. ROADWAY MACHINERY AND TOOLS

To this account should be charged the cost of roadway machinery and tools (except hand and other small portable tools liable to be lost or stolen) not taking the place of machinery and tools of like purpose previously held. It includes the cost of machinery (not permanently mounted on wheels and considered as equipment), such as dredging, ditching, grading, pile-driving and steam-shovel machinery, and the cost of motor cars and other apparatus and instruments of special value used in the maintenance of roadway and for which a record is kept showing the person or persons responsible for their safe keeping.

NOTE A.—The cost of hand and other small portable roadway tools, liable to be lost or stolen, and roadway machinery and appliances of which no record is kept, should be charged, when acquired, to an appropriate Materials and Supplies account, from which they should be charged, as issued, to the appropriate operating expense or other accounts.

NOTE B.—A record should be kept of any property charged to this account, and when it is retired from service from any cause the cost should be credited to this account, and such cost, less salvage and the amount reserved for depreciation, if any, charged to Operating Expenses.

A 23. SHOPS, ENGINEHOUSES, AND TURNABLES

To this account should be charged the cost of additional shops, enginehouses, and turntables, and of additional fixtures, facilities, and appurtenances (other than shop machinery and tools) necessary to equip them; also the excess cost of new buildings or structures or parts of buildings or structures, and new fixtures, facilities, and appurtenances over the cost of replacing in kind like property removed.

This account should include the cost of the following buildings or structures when built as parts of or for use in connection with shops, enginehouses, and turntables: Car sheds, cinder pits, drop pits, electric light and power plants, outhouses, sandhouses, scrap bins, storehouses, tracks, and transfer tables; also the cost of the following items incidental to the construction or improvement of the buildings or structures mentioned: Architects' fees, beautifying grounds, excavations, foundations, electric fixtures, fences, gas fixtures, grading, heating plants and apparatus, hedges, platforms, sewerage systems, sidewalks; turntable levers, tractors, and stops; and water system connections.

NOTE.—The cost of restoring the condition of grounds after betterment work should be charged to Operating Expenses.

A 24. SHOP MACHINERY AND TOOLS

To this account should be charged the cost of machinery and tools installed in shops or enginehouses and not replacing other tools and machinery, including foundations therefor, the cost of transportation, loading, unloading, and placing machinery in position. This account includes the cost of additional stationary engines and boilers, automatic stokers, ash conveyors; electric generators and motors, switchboards, compressors; shafting, belting, cranes; stationary and portable forges; trip hammers, lifting magnets, and hydraulic, pneumatic, and electric machines; and other machinery and tools installed in shops and enginehouses, including the necessary small hand tools first to equip them, but not including additional small hand tools furnished to shops or enginehouses already in operation.

To it should also be charged the excess cost of machinery and tools (except hand and other small portable tools) of an improved type or character installed in shops or enginehouses over the cost of replacing in kind machinery or tools abandoned. The excess cost of foundations for new machinery over the cost of replacing in kind the foundations for existing machinery and the cost of unloading and placing the machinery thereon, should be charged to this account.

A 25. WATER AND FUEL STATIONS

To this account should be charged the cost of additional structures used as, or in connection with, stations for supplying locomotives with water or fuel; also the excess cost of new structures or parts of structures of this

class over the cost of replacing in kind structures removed. The following items are chargeable to this account:

For water stations: Boilers, cisterns, dams, engines, and fixtures; fences, foundations, penstocks and connections, pipe lines and piping, pumps, pump houses, purifying plants, settling basins, stand pipes, tanks, tubs, track tanks or troughs, wells, windmills, and other machinery and appliances necessary to operate water stations.

For fuel stations: Ash handling plants, buckets, cranes, chutes, dumping machinery, elevators, engines (stationary), fences, platforms, scales, sheds, tipple cars, wood racks, fuel oil plants, inclines at fuel stations and tracks on same, and other machinery and appliances necessary to operate fuel stations.

NOTE A.—This account should not include waterworks, wells, fuel stations, coal houses, etc., used exclusively for supplying water or fuel to shops, power plants, stations, hotels and tenement or section houses, which should be charged to the appropriate accounts.

NOTE B.—The cost of restoring the condition of grounds after betterment work, including the filling of abandoned wells and cisterns, should be charged to Operating Expenses.

A 26. GRAIN ELEVATORS AND STORAGE WAREHOUSES

To this account should be charged the cost of additional grain elevators and storage warehouses, including the cost of foundations, conveyors, machinery and fixtures therein; the cost of additional conveyors, machinery, and fixtures for such existing buildings; also the excess cost of improved machinery, fixtures, etc., over the cost of replacing in kind existing machinery, fixtures, etc. When such buildings are altered or enlarged, the excess cost of the improvement over the cost of replacing in kind the parts abandoned or removed should be charged to this account.

NOTE A.—The cost of filling foundations and restoring the condition of grounds after betterment work should be charged to the appropriate account under Operating Expenses or Outside Operations.

NOTE B.—The buildings referred to in this account are not small storage elevators at way stations or ordinary freight warehouses where freight is received for shipment, etc., but large elevators in which a regular grain business is handled or grain is stored for various owners, and warehouses in which merchandise is stored. Small storage elevators at way stations are classed as station buildings.

A 27. DOCK AND WHARF PROPERTY

To this account should be charged the cost of additional docks, wharves, landings, slips, float bridges, and inclines to transfer steamers, and the cost of buildings, structures, coal and ore handling machinery, and other necessary facilities erected as additions to existing docks or wharves or in connection with the construction of additional docks or wharves. It includes also the cost of additional slips and of piling, pile protection, cribs, cofferdams, walls, and other necessary devices and apparatus for the operation or protection of docks and wharves.

To this account should also be charged the excess cost of improved docks, wharves, landings, slips, float bridges, and inclines to transfer steamers, and of buildings, structures, coal and ore handling machinery, and other necessary facilities on docks and wharves over the cost of replacing in kind like property abandoned or removed.

NOTE A.—The cost of restoring the condition of docks or wharves and land upon which they are situated after betterment work should be charged to the appropriate account under Operating Expenses or Outside Operations.

NOTE B.—The cost of land on which additional wharves are built and of riparian or water rights for docks and wharves should be charged to account A 1, "Right of Way and Station Grounds."

A 28. ELECTRIC LIGHT AND POWER PLANTS

To this account should be charged the cost of additional electric light and power plants (except those used exclusively for furnishing light or power to office buildings, or to station grounds and buildings, or to shop grounds and buildings), including the cost of buildings, dynamos and generators, condensers and transformers, boilers and engines, switchboards, storage batteries, poles, insulators, and wires for electric lines; glass globes, electric lamps, hangers for lights, and other material necessary first to equip them. It includes also the cost of power houses and car sheds at power plants; flowage rights; dams, reservoirs, penstocks, water wheels or turbines, pumps, and other machinery, and the foundations therefor; and other construction expenses necessary for the erection of new and additional electric light and power plants, and the excess cost of improved plants, buildings, machinery, and appurtenances over the cost of replacing in kind like property removed.

When the improvement involves a modification or alteration of existing structures, there should be charged to this account the excess cost of the improvement over the cost of replacing in kind the parts abandoned.

NOTE.—The cost of restoring the condition of grounds after betterment work should be charged to the appropriate account under Operating Expenses or Outside Operations.

A 29. ELECTRIC POWER TRANSMISSION

To this account should be charged the cost of additional systems for the transmission of electricity for power purposes, including span, guard, feed, and overhead trolley wires; poles, cross-arms, brackets, insulators, and connections; third rails, including braces, supports, and devices for insulating, covering, or protecting; bonding rails, including connecting plugs, insulating mats, plugs, or other devices; switchboards, switches, cut-outs, transformers, etc. (not at power stations or substations), and other expenditures necessary for the building of additional lines for the transmission of electric power.

To this account should also be charged the excess cost of improved transmission lines or parts of lines over the cost of replacing in kind property of like purpose abandoned.

A 30. GAS-PRODUCING PLANTS

To this account should be charged the cost of additional gas-producing and gas-compressing plants; the cost of additional machinery and appliances for such plants; and the excess cost of improved plants, machinery, or appliances, over the cost of replacing in kind like property abandoned. If an improvement requires the alteration or modification of existing structures, there should be charged to this account the excess cost of the improvement over the cost of replacing in kind the parts removed.

NOTE.—The cost of restoring the condition of grounds after betterment work should be charged to the appropriate account under Operating Expenses or Outside Operations.

A 31. SNOW AND SAND FENCES AND SNOWSHEDS

To this account should be charged the cost of additional snowsheds, including rock filling when necessary, and permanent or portable fences for the protection of tracks from snow and sand.

NOTE.—When permanent snow or sand fences take the place of existing right-of-way fences, the entire cost of the new fences should be charged to this account, the original cost (estimated, if not known) of the right-of-way fences removed being credited to account A 15, "Fencing Right of Way," and charged, together with the cost of removal, less salvage, to the appropriate operating expense account.

A 32. RECONSTRUCTION OF ROAD PURCHASED

When a railroad is purchased and the property (other than equipment) acquired is in such a physical condition that it is necessary substantially to rebuild the road within one year after its acquisition, in order to bring it up to the standard required by the purchasing company, such part of the cost of rebuilding as will, when added to the amount paid for such property, equal the cost of replacing the property as rebuilt, should be charged to this account, and any excess of the cost of such property plus the cost of rebuilding over the cost of replacing it as rebuilt, should be charged to Profit and Loss; if the work of rebuilding is not done within one year after the date of acquisition, the cost of any improvements should be charged to the other accounts in this classification, subject to the conditions prescribed for improvements of other property.

If, however, the work of reconstruction referred to above is necessarily delayed to a time more than one year after the acquisition of the property, and the purchasing company desires to make the improvements under the conditions named and to include the cost in this account, it may file with the Interstate Commerce Commission a description of the property acquired and a comprehensive statement showing the amount paid for the road purchased, the appraised value of the physical property acquired, the amount which it is proposed to expend upon improvements, and the nature of the improvements necessary to be made and other pertinent facts, and upon

approval of the Commission the cost of the improvement may be disposed of as indicated.

Equipment acquired as part of the property of a road purchased should not be included in this account, but the appraised value at the time of acquisition should be charged to account A 33, "Equipment."

A 33. EQUIPMENT

To this account should be charged the cost of all newly acquired equipment, such as steam locomotives, electric locomotives, passenger-train cars, freight-train cars, work equipment (for general use), floating equipment, and the necessary appurtenances, fixtures, and furniture first to fit out for service, including the cost of inspection, setting up, and trying out, and transportation over foreign lines; also, the cost of additional devices and apparatus applied to equipment, such as electric headlights, power brakes, vestibules, machinery for self-propulsion, heating and lighting apparatus, and the like; and the excess cost of improved appliances and parts or appurtenances over the cost of replacing in kind the appliances and parts or appurtenances removed.

To this account should be credited the original cost (estimated if not known) of any equipment destroyed, sold or otherwise permanently retired from service; but if the value (the original cost) of any equipment as carried in the accounts representing the cost of equipment has been written down in consideration of depreciation accrued previously to July 1, 1907, the depreciated value at that date instead of the original cost should be credited to this account; proper account should be taken of any salvage; and the "Reserve for Accrued Depreciation" account should be debited with an amount equal to the amount previously credited thereto with respect to the equipment retired. The difference between the actual depreciation (original cost or depreciated value on July 1, 1907, less salvage) and the reserve for accrued depreciation should be charged to the appropriate account in Operating Expenses, if the difference is due to depreciation in service since July 1, 1907; to Profit and Loss if due to depreciation in service before that date; and, if not readily assignable, the amount should be prorated between Operating Expenses and Profit and Loss on the basis of the time in service after and before that date.

When any equipment is in such physical condition that it must be practically rebuilt in order to fit it for service, or when any equipment requires repairs which, if made, would constitute the major portion of its value, it should, when taken out of service, be considered as retired and be written out of the accounts as provided in the preceding paragraph; upon being rebuilt, the cost of replacing in kind the equipment as rebuilt (consideration being given to second-hand parts remaining therein) should be charged to this account.

NOTE A.—When important additions and betterments projects or the construction of new lines necessitate the purchase of work equipment to be used

exclusively thereon, the cost of such equipment should be included in the accounts representing the cost of the work, and no charge should be made to Operating Expenses for depreciation on such equipment while the cost remains so charged. The amount realized from any subsequent sale, or the appraised value of the equipment retained after the completion of the special work for which it was purchased, should be credited to the accounts charged with its cost. The appraised value of such equipment retained should be debited to this account, and thereafter, for the purposes of this account, such appraised value should be considered as the cost of the equipment.

NOTE B.—When any equipment is changed into equipment of another class, as a freight-train car into a work car, and the change involves a partial destruction and partial reconstruction of the equipment altered, the excess cost of the new parts or appurtenances over the cost of replacing in kind those removed should be charged to this account. If no betterment is involved in the change, the difference between the cost or record value and the depreciated value at the date of change should be credited to this account. In either case, the Reserve for Accrued Depreciation account should be debited with an amount equal to the accrued depreciation previously credited thereto with respect to the equipment changed, and thereafter depreciation should be based upon the appraised value after the change in the class to which converted. The cost of dismantling the old equipment and such part of the cost of making the change as does not distinctly better it should be charged to Operating Expenses.

A 34. INTEREST AND COMMISSIONS

When any bonds, notes, or other evidences of indebtedness are sold, or any interest-bearing debt is incurred for additions and betterments purposes, the interest that accrues on such part of the debt as represents the cost of property chargeable to additions and betterments (less interest, if any, allowed by depositories on unexpended balances) after such funds become available for use and before the receipt or the completion or coming into service of the property so acquired should be charged to this account.

If any bona fide allowance is made or brokerage paid to agents or factors for services rendered in the sale of bonds, notes, or other evidences of indebtedness issued for additions and betterments purposes, there should be charged to this account such proportion of the brokerage or commission so paid as the amount expended for and chargeable to Additions and Betterments bears to the whole amount realized from the sale of the securities.

NOTE A.—Interest on bonds, notes, or other evidences of indebtedness, accruing before the proceeds from the sale of the securities become available for use, should not be included in this account nor should there be included any interest accruing after the property with respect to which the proceeds are expended is received or becomes available for use.

NOTE B.—If any securities which have been issued or assumed by the carrier (except securities which have been sold and reacquired) are sold or exchanged by or for the carrier for a consideration the actual money value of which, at the time of such sale or exchange, is less than the value of the securities at par and the accrued interest thereon, if any, the difference between the money value of the consideration received and the par value of the securities plus the accrued interest shall be deemed a discount and in no case should discounts be included as part of the cost of anything charged to any account prescribed in this classification.

A 35. OTHER ADDITIONS AND BETTERMENTS

To this account should be charged the cost of additional structures or facilities, not taking the place of property of like purpose previously held, and the excess cost of enlarged or improved structures and facilities over the

cost of replacing in kind like property retired from service by reason of the improvements, when such cost is proper, under the general rules governing this classification, to be included in Additions and Betterments and is not classifiable under any of the foregoing accounts in this classification. This account should not be charged with any amount with respect to unapplied materials and supplies, or property which may not be readily identified and inventoried, such as wood ties of a better grade replacing those of an inferior grade; or assessments by towns, cities, or other governmental authorities against a carrier as a property holder for public improvements which do not directly benefit the carrier in the operation or maintenance of its property.

NOTE.—All entries in this account are required to be shown in such detail in Annual Reports to the Interstate Commerce Commission as will denote the character of the improvement made or the property acquired by the expenditures charged to this account.

CLASSIFICATION OF EXPENDITURES FOR ROAD AND EQUIPMENT

FIRST REVISED ISSUE

AS AMENDED BY SUPPLEMENT, EFFECTIVE JULY 1, 1908

INTRODUCTORY LETTER

INTERSTATE COMMERCE COMMISSION,
DIVISION OF STATISTICS AND ACCOUNTS,
Washington, June 8, 1907.

TO CARRIERS:

This Classification of Expenditures for Road and Equipment, with the text pertaining thereto, is issued in accordance with an order of the Interstate Commerce Commission, a copy of which will be found immediately preceding this letter. The rules which the Classification contains should be observed by carriers in all matters which it covers.

In 1897 the Interstate Commerce Commission issued a Classification of Construction Expenses for steam railways, and in 1905 this Classification was extended by adding to it a Classification of Equipment Expenditures. At the same time the word "expenditures" was substituted for the word "expenses" in connection with construction accounts. It will be noted that the title of this First Revised Issue has been changed to "Classification of Expenditures for Road and Equipment."

This classification, like the classification of Operating Revenues and of Operating Expenses, was revised with the cooperation of the accredited representatives of the Association of American Railway Accounting Officers, and, with the exception of the text of account No. 47, "Interest and Commissions, and of the introduction of account No. 19," "General Office Buildings and Fixtures," is, in all essential particulars, promulgated in the form in which it was recommended by the Association of American Railway Accounting Officers. The essential modification of the title and text of account No. 47, "Interest and Commissions," is made necessary by the adoption of the rule that all entries of values in the accounts covered by this classification shall be in terms of cash.

The primary accounts have been grouped under three General Accounts, namely, "Road," "Equipment," and "General Expenditures."

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TEXT OF CLASSIFICATION OF EXPENDITURES FOR ROAD AND EQUIPMENT

Special note covering all entries in the accounts included in this classification.—Where the consideration in the transaction shown in any entry is anything other than money, the actual consideration must be shown in the entry, and the actual cash value thereof shown in the values columns.

I. ROAD

1. ENGINEERING

To this account should be charged salaries and expenses of all engineers, assistants, and axmen; cost of teams for transportation of engineers and men to and from work, or upon trips of inspection of line of work, or incidental thereto; engineers' instruments, rods, chains, axes, hatchets, tapelines, keel or marking chalk, stakes, profile and drawing paper, tracing linen or paper, cross-section paper, transit and level books, cross-section or topographical books, india ink and colors, drawing boards, stools, map cases, fuel, lights, camp equipage, and other analogous items.

NOTE.—When employees enumerated above are engaged in work not chargeable to construction their pay and expenses should be charged to the specific work on which engaged.

2. RIGHT OF WAY AND STATION GROUNDS

To this account should be charged the cost of land acquired for roadbed (of necessary width conformable to depth and slopes of excavations and embankments, including borrow pits and waste banks adjoining right of way) and station and terminal grounds; also the cost of land purchased for ingress to or egress from station grounds; salaries and expenses of counsel, right-of-way agent, and engineers and assistants when specially engaged for such matters; cost of stakes used to denote right-of-way limits; expenses of appraisals, or of juries, commissioners, or arbitrators in condemnation cases; cost of removal of buildings (if upon right of way or station or terminal grounds, and not included in property purchased); commissions paid outside parties for purchase of properties for these purposes; cost of plats, abstracts, notarial fees, recording deeds, etc.; and payments for abutting damages.

NOTE.—The estimated saleable value of property not required in connection with the operation of the road after completion thereof, but acquired and charged to this account in connection with land needed for right-of-way and station grounds should, upon completion of the road, be credited to this account and charged to an appropriate property account. Where such property is sold upon or prior to the completion of the road, the proceeds of sale thereof should be credited to this account.

3. REAL ESTATE

To this account should be charged the cost of land acquired for use directly in connection with the operation of the road, but in excess of and in addition to that actually required for roadbed or station or terminal grounds, including all expenses incurred in connection with such acquisition as enumerated in account No. 2, "Right of Way and Station Grounds."

4. GRADING

To this account should be charged the cost of grading roadbed, whether excavations or embankments; clearing and grubbing; dressing slopes of cuts and fills; reconstructing pikes or roads; ditching roadbed; berm ditches; cost of material taken from borrow pits, haul if allowed; amounts paid for privilege of making waste banks outside of company's right of way or station grounds; ditches for waterways not specially required by right-of-way agreement (where so required cost would be properly chargeable to account No. 2, "Right of Way and Station Grounds.") This account should include the cost of retaining walls and other masonry or riprap for the protection of embankments, cuts, and slopes; cribbing or bulkheading built to protect the tracks or embankments along the seashore or banks of lakes and streams, including the cost of any cribs, breakwaters, wing dams, or other devices constructed to change the direction of the current of a stream to prevent the washing of the bank; also freight on material, and transportation and subsistence of grading gangs.

If special grading outfits be bought by the railway company to be used in grading, the cost of such outfits when bought should be charged to this account. The proceeds from sale of these outfits, if sold after completion of grading, should be credited to this account. If, however, the outfits be retained and used, this account should be credited with the inventory value thereof on the completion of grading, and account No. 41, "Work Equipment," charged therewith.

5. TUNNELS

To this account should be charged the cost of tunneling, including such timber as may be used for centering, packing, etc.; cost of steel, stone, brick, cement, sand, lime, salt, piles, timber, spikes, nails, braces, concrete, etc., used in the construction or lining of tunnels; cost of labor preparing or securing them, transportation, scaffolding, cofferdams, and pneumatic caissons; cost of soundings, and machinery, pumps, engines, etc., used for such work.

NOTE.—This account does not include cost of the track through the tunnel or of surfacing such track.

6. BRIDGES, TRETTLES, AND CULVERTS

To this account should be charged the cost of bridges and trestles erected to carry tracks over streams, ravines, streets, or other railways and culverts, both substructure and superstructure, including transportation. This account should include cost of abutments, piers, supports, draw and pier protection; machinery to operate drawbridges; guard rails; masonry ends and wing walls for culverts; cost of inspection of bridge material either at shop or site of structure; cost of tests; cost of wing dams, cribs, or ice breakers for regulating the current of a stream or breaking up ice jams; also labor and material used in painting structures.

In case "false work" is furnished by the railway company for erection of bridge superstructure, the cost should be charged to this account, and when removed the value of the material removed should be credited to this account and charged to the account benefited.

7. TIES

To this account should be charged the cost of cross, switch, bridge, and other ties and railway crossing timbers laid in the main track or tracks, sidings, spurs, and repair tracks, in tunnels, stations, shop and other yards; on wharves, piers, track scales, inclines, bridges, trestles and culverts; to and from coal chutes, coal pockets, fuel and water stations, etc., excluding inclines of fuel stations, tracks in ballast pits, enginehouses, shops, and storehouses, and on transfer tables and turntables. To this account should be charged also the cost of transportation, inspection, handling (except final distribution), and any process of preservation.

NOTE.—See account No. 20, "Shops, Enginehouses, and Turntables," and account No. 23, "Fuel Stations."

8. RAILS

To this account should be charged the cost of rails laid in the main track or tracks, sidings, spurs, and repair tracks; in tunnels, stations, shop and other yards; on wharves, piers, track scales, inclines, bridges, trestles, and culverts; to and from coal chutes, coal pockets, fuel and water stations, etc., excluding inclines of fuel stations, tracks in ballast pits, enginehouses, shops and storehouses, and on transfer tables and turntables. To this account should be charged also the cost of transportation, inspection, and handling (except final distribution).

NOTE.—See account No. 20, "Shops, Enginehouses, and Turntables," and account No. 23, "Fuel Stations."

9. FROGS AND SWITCHES

To this account should be charged the cost of frogs, switches, derails, switch lamps, switch locks, and other switch material, including switch stands (throw or lever), frog and switch guard rails, crossing frogs, bolts,

etc., used in foundations or bases, and cost of transportation, inspection, and handling (except final distribution).

NOTE.—See account No. 20, "Shops, Enginehouses, and Turntables," and account No. 23, "Fuel Stations."

10. TRACK FASTENINGS AND OTHER MATERIAL

To this account should be charged the cost of spikes used for laying rails and of fish and tie plates, splice or angle bars, continuous rail joints, chairs, rail braces, bolts, nuts, nut locks or washers used in connection therewith; cost of guard rails on curves and in tunnels; cost of bumping posts; also the cost of transportation, inspection, and handling (except final distribution).

NOTE.—See account No. 20, "Shops, Enginehouses, and Turntables," and account No. 23, "Fuel Stations."

11. BALLAST

To this account should be charged the cost of ballast, whether of broken stone, slag, gravel, or other material specially provided for this purpose; also the cost of loading, hauling, unloading alongside of track, and of transportation.

If the stone or other ballast is produced by the builders of a railway there should be included in the cost thereof quarry and gravel rights, rails, ties, and other track material laid to and in quarries and gravel pits, together with the cost of labor employed in getting out and preparing the ballast. The saleable value of such quarries and gravel pits or of the rights therein upon the completion of construction should be credited to this account.

12. TRACK LAYING AND SURFACING

To this account should be charged the cost of distributing, laying, spacing, and lining ties; cost of laying, spiking, and jointing rails, surfacing and lining track, including the adjustment of rails to proper elevation, and labor of placing frogs, switches, and bumping posts; cost of track tools, including shovels, picks, track jacks, crowbars, levers, spiking mauls, gages and wrenches; cost of spreading ballast and putting it under track; expenses of locomotives, cars, and crews distributing track material, and cost of transportation of men, tools, appliances, and outfits used on this work.

NOTE.—See account No. 20, "Shops, Enginehouses, and Turntables," and account No. 23, "Fuel Stations."

13. ROADWAY TOOLS

To this account should be charged the cost of the first outfit of tools, including hand and push cars, velocipedes, speeders, etc., furnished section, bridge, carpenter, and other gangs properly to equip them to protect, main-

tain, and repair the property when it is opened for the handling of commercial traffic.

14. FENCING RIGHT OF WAY

To this account should be charged the cost of material and labor used in constructing board, wire, rail, hedge, stone, or other fences along the right of way or limits of roadbed, including cattle guards and wing fences thereto, and transportation; but no charge should be made to this account for fences constructed around stock yards, fuel stations, station grounds, shops, and on other properties outside of right of way, which should be charged to their appropriate accounts. (The cost of permanent or portable fences for protection of tracks from snow or sand should not be charged to this account, but to account No. 31, "Miscellaneous Structures.")

15. CROSSINGS AND SIGNS

To this account should be charged the cost of labor and material used in constructing farm, country-road, or street crossings at grade, overhead bridges, undergrade crossings; all track signs, crossing gates, highway crossing alarms, and watchhouses at crossings; and cost of transportation.

NOTE.—The cost of bridges or trestles carrying tracks over streets should not be charged to this account, but to account No. 6, "Bridges, Trestles, and Culverts."

16. INTERLOCKING AND OTHER SIGNAL APPARATUS

To this account should be charged the cost of interlocking and other signal apparatus complete, including apparatus for block signals of all classes, when built by contract. If built by the railway company there should be charged to this account the cost of labor and material, including all levers, racks, wires, pulleys, semaphores, semaphore signals, ground signals, posts, materials in box troughs, and other fixtures; towers and foundations for same; signal bells, posts, power plants, batteries and wires, bonding rails and other appliances incident thereto and all other work necessary to complete them; and cost of transportation.

17. TELEGRAPH AND TELEPHONE LINES

To this account should be charged the cost of constructing telegraph and telephone lines, including conduits, poles, cables, wires, billets, insulators, instruments, and all other materials used; also labor employed in the construction work, cost of all tools used; and cost of transportation.

18. STATION BUILDINGS AND FIXTURES

To this account should be charged the cost of material and labor expended on station buildings, including cost of transportation, station signs, platforms, sidewalks, excavations, foundations, drainage, water, gas,

and sewer pipes and connections, steam heating apparatus, stoves, electric light and power fixtures, including wiring for same, grading and putting grounds in order after buildings have been finished; electric bells, elevators, and all other material, furniture, or fixtures used to complete the buildings; wells for water supply at stations; salaries and expenses of architects, also cost of fences, hedges, turnstiles, etc., around station grounds.

NOTE.—This account should not include the cost of similar buildings on docks, wharves, and piers, which should be charged to account No. 26, "Dock and Wharf Property."

19. GENERAL OFFICE BUILDINGS AND FIXTURES

To this account should be charged the cost of buildings devoted to general office purposes, the cost of all fixtures thereto attached, and the cost of furniture for the equipment of such buildings.

NOTE.—If the land occupied by general office buildings is not a part of right-of-way and station grounds, its cost should be charged to account No. 8, "Real Estate."

20. SHOPS, ENGINEHOUSES, AND TURNTABLES

To this account should be charged the cost of all buildings to be used as shops (including transfer tables), car sheds, or enginehouses (including cinder and drop pits); turntables; plants for furnishing power or for heating and lighting the buildings; platforms, sidewalks, and outhouses in connection therewith; and oil houses, sand houses, storehouses for company's material, scrap bins, appurtenances, etc. This account should include amounts paid for shops, enginehouses, and turntables when erected under contract. If built by the company, there should be charged to this account cost of labor and material; preparing grounds before and clearing up same after construction; foundations; painting; excavation for and lining of turntable pits, and of cinder or drop pits inside or outside of enginehouses; foundations for turntables; loading, unloading, and placing turntables in position; levers, tractors, and stops for handling turntables; sewerage systems; connections with water-supply systems; shop wells; architects' fees for drawing plans and supervision of construction; fences and hedges on and around shop grounds; and transportation and incidental expenditures. To this account should be charged the cost of tracks laid on transfer tables and turntables and those leading therefrom into shops and enginehouses; also the cost of all tracks laid in any of the buildings above described.

21. SHOP MACHINERY AND TOOLS

To this account should be charged the cost of machinery and tools placed in shops or enginehouses, including foundations therefor; cost of transportation, loading, unloading, and placing machinery in position.

This account includes the cost of stationary engines and boilers, motors, compressors, ash conveyors, shafting, belting, cranes, stationary and portable forges, lifting magnets, hydraulic, pneumatic, and electric tools and machines, and all other machinery and tools in shops and enginehouses, including the small hand tools necessary first to equip a shop.

22. WATER STATIONS

To this account should be charged the cost of material and labor expended in the construction of water stations for the purpose of supplying locomotives with water, including cost of windmills, pumps, boilers, pump-houses, tanks, tubs, tank foundations, track tanks or troughs, stationary engines and all fixtures and pipes, standpipes, or penstocks and connections; pipe lines, wells, dams, reservoirs, settling basins, water-purifying plants, and cisterns; cost of transportation; also tools used in the work. This account should not include waterworks, wells, etc., exclusively for supply of shops, power plants, stations, hotels, tenements, or section houses, which would be charged to appropriate accounts.

23. FUEL STATIONS

To this account should be charged the cost of material and labor expended in the construction of coal platforms, coal sheds, coal-pocket chutes, woodsheds and racks, fuel-oil, plants, and all machinery or appliances necessary to equip them for service. This account includes inclines of fuel stations and the cost of tracks laid thereon, tipple cars, buckets and cranes for handling, elevating machinery (including gasoline or other engines for operating), dumping machinery, all appliances for weighing coal in pockets and opening coal pockets, also cost of plants for handling ashes when to be operated in connection with fuel stations, cost of transportation, architects' fees, etc.

24. GRAIN ELEVATORS

To this account should be charged the cost of grain elevators, including cost of foundations, conveyors, fixtures, and machinery; cost of transportation and other charges incident to construction. This account does not include the cost of small storage elevators at way stations, which are considered to be station buildings.

25. STORAGE WAREHOUSES

To this account should be charged the cost of storage warehouses, including machinery and fixtures therein; cost of transportation and all other expenditures incident to construction.

NOTE.—The buildings herein referred to are not the ordinary freight warehouses or stations where freight is received for shipment, etc., but warehouses in which merchandise is stored, and which the railway company or others operate as storage warehouses.

26. DOCK AND WHARF PROPERTY

To this account should be charged the cost of docks, wharves, ferry or other landings, and inclines to transfer steamers, including buildings, structures, coal and ore handling machinery thereon and other appurtenances, dredging of slips, piling, filling cribs, pile protection, building coffer dams, pumping or bailing water, masonry walls or filling, etc., cost of transportation and all other expenditures incident to construction, except the cost of tracks.

(The cost of ground on which docks or wharves are built and of riparian or water-front rights in connection therewith should be charged to account No. 2, "Right of Way and Station Grounds.")

27. ELECTRIC LIGHT PLANTS

To this account should be charged the cost of labor and material, including cost of transportation, used to put in operation either arc or incandescent lighting plants (when not in connection with station buildings or shop plants, and so covered by account No. 18, "Station Buildings and Fixtures," or No. 20, "Shops, Enginehouses, and Turntables,") such as dynamos, engines for running dynamos, wire constituting lines, glass globes, carbon or arc lights, carbonized filament for incandescent lights, poles, hangers for lights, insulators, and every expense incidental to the erection of the plant. When it is necessary to erect a building for an electric light plant the entire cost thereof should be charged to this account.

28. ELECTRIC-POWER PLANTS

To this account should be charged the cost of stations where electric power is generated for operation of trains and cars, whether operated by steam or water power, including the cost of erection of power house and car sheds at power plant; flowage rights; all expenditures for labor and material, reservoirs, dams, penstocks, water wheels, or turbines; engines, boilers and machinery, pumps, condensers, foundations and settings for steam plants; generators, foundations, settings, switchboards, and lighting apparatus for electric power plants. (Cost of plants for furnishing power at shops should be charged to account No. 20, "Shops, Enginehouses, and Turntables.")

29. ELECTRIC-POWER TRANSMISSION

To this account should be charged all expenditures for labor and material for transmission of electricity for power purposes, including span, guard, feed, and overhead trolley wires, poles, cross-arms, brackets, insulators, and connections; third rails, including braces, supports and devices for insulating, covering, or protecting; bonding rails, including connecting plugs, insulating mats, plugs, or other devices; switchboards, switches,

cut-outs, transformers, etc., (not at power stations or substations); and any other expenditures incurred in connection with the building of lines for the transmission of electric power.

30. GAS-PRODUCING PLANTS

To this account should be charged the cost of labor and material, including cost of transportation, used to put into operation a gas producing or compressing plant complete. When it is necessary to erect a building for a gas-producing plant, the entire cost thereof should be charged to this account.

31. MISCELLANEOUS STRUCTURES

To this account should be charged the cost of structures of every character, including cost of material, labor, transportation, and all incidental expenses connected therewith, which are permanent and enter into the cost of road, and which are not otherwise herein particularly referred to, and for which no account has been provided; the object being to designate one general classification, to which may be charged the cost of all minor structures, and in this way avoid increasing the number of primary accounts.

32. TRANSPORTATION OF MEN AND MATERIAL

To this account should be charged the fares of laborers and freight charges on material, outfits, and supplies employed in construction work paid by the railway company and properly chargeable in expenditures for road, but which can not be correctly charged under any other construction account. This account may include such items as fares of contractors, their walking bosses, paymasters, clerks, and storekeepers; of labor agents; of men hired by labor agencies and shipped out on the line who may be employed on any character of work; freight on powder, dynamite, and other explosives, hay, grain, groceries, and other supplies for contractors, stores to be sold to subcontractors, station men, laborers, and others; and other analogous items.

33. RENT OF EQUIPMENT

To this account should be charged rent, either on the basis of per diem, mileage, or at fixed rates per month, of all equipment (the cost of which is not charged to the line under construction) used in construction of new lines.

34. REPAIRS OF EQUIPMENT

To this account should be charged repairs and renewals of all equipment used in construction of new lines, not otherwise provided for.

35. EARNINGS AND OPERATING EXPENSES DURING CONSTRUCTION

To this account should be charged the cost of operating a piece of road while in charge of the construction department and before it is opened for commercial operation. It includes the cost of running construction, material, or other trains when the cost of operating such trains can not properly be charged to any specific account. To this account should be credited amounts collected for rents of buildings and other properties and for the transportation of commercial freight or passengers on construction, material, or other trains.

35A. INJURIES TO PERSONS

This account includes all expenses incident to injuries to persons when caused directly in connection with construction of a new road; proportion of salaries and expenses of physicians and surgeons, expenses of undertakers, nursing and hospital attendance, medical and surgical supplies, artificial limbs, funeral expenses, railway and carriage fares for conveying injured persons and attendants; proportion of pay and expenses of claim adjusters and their clerks, and pay and expense of employees and others called in consultation in relation to the adjustment of claims coming under this head; also witness fees and amount of final judgments.

NOTE.—This account does not include such expenses incident to injuries to persons as are properly includible in Account No. 35, "Earnings and Operating Expenses during Construction."

36. COST OF ROAD PURCHASED

To this account should be charged amounts paid for road purchased. In this connection attention is specially directed to the note at the beginning of this classification. Where payment is made by an issue of the company's securities or other commercial paper, the cash value thereof at the time of such payment should be charged.

When the purchase price paid includes equipment, in addition to the road, the equipment received should be appraised and the appraised value thereof should be charged to the appropriate equipment accounts, the difference between same and the total amount paid in cash, or the cash value of securities issued in payment being charged to this account.

When contracts are entered into for the construction of a completed road for a fixed amount, whether payable in cash or in the company's securities, the amount paid in cash or the cash value of the securities issued in payment should be charged to this account. In case the contract amount includes equipment in addition to the road, the value of the equipment should be ascertained by appraisement and treated as above provided.

II. EQUIPMENT

37. STEAM LOCOMOTIVES

To this account should be charged the cost of steam locomotives and tenders, including all appurtenances, furniture, and fixtures necessary to equip them for service, purchased or built at the company's shops, including cost of transportation and setting up after receipt from builders.

38. ELECTRIC LOCOMOTIVES

To this account should be charged the cost of electric locomotives, including all appurtenances, furniture, and fixtures necessary to equip them for service, purchased or built at the company's shops, including cost of transportation and setting up after receipt from builders.

39. PASSENGER-TRAIN CARS

To this account should be charged the cost of passenger-train cars of all classes, including all appurtenances, furniture, and fixtures necessary to equip them for service, purchased or built at the company's shops, including cost of transportation.

NOTE.—The following cars are classified as passenger-train cars:

Air-brake instruction,	Combination passenger	Parlor—baggage,
Baggage,	and baggage,	Passenger,
Baggage—express,	Dining,	Passenger—baggage—
Baggage—mail,	Emigrant,	mail,
Baggage—mail—ex-	Express,	Pay,
press,	Library,	Postal,
Buffét,	Mail,	Refrigerator—express,
Business,	Milk,	Smoking,
Café,	Observation,	Street,
Chair,	Officers',	Tourist.
Colonist,	Parlor,	

40. FREIGHT-TRAIN CARS

To this account should be charged the cost of freight-train cars of all classes, including all appurtenances, furniture, and fixtures necessary to equip them for service, purchased or built at the company's shops, including cost of transportation.

NOTE.—The following cars are classified as freight-train cars:

Beer,	Fruit,	Ore,
Box,	Furniture,	Platform,
Cabin,	Gondola,	Poling,
Caboose,	Gondola—hopper,	Poultry,
Charcoal,	Gondola—long,	Produce,
Coal,	Gun trucks,	Rack,
Coke,	Hay,	Refrigerator,
Dump (commercial,	Lime,	Stock,
coal, or stone),	Logging,	Tank and Water (when
Flat,	Oil tank,	used as commercial
		cars).

41. WORK EQUIPMENT.

To this account should be charged the cost of all work equipment; including all appurtenances, furniture, and fixtures necessary to equip them for service, purchased or built at the company's shops, including cost of transportation.

If special grading outfits be bought by the railway company to be used in grading, the cost of such outfits when bought should be charged to account No. 4, "Grading." The proceeds from sale of these outfits, if sold after completion of grading, should be credited to that account. If, however, the outfits be retained and used, account No. 4, "Grading" should be credited with the inventory value thereof on the completion of grading, and this account should be charged therewith.

NOTE.—The following equipment is classified as work equipment:

Ballast,	Indicator,	Snowplows (not attached to locomotives, but moved by them),
Ballast, unloader cars,	Locomotive tanks, used permanently as water cars,	Sprinkling,
Boarding,	Outfit,	Steam shovels,
Bridge,	Painters,	Steam wrecking derricks,
Camp,	Pile drivers,	Supply,
Cinder,	Rail saw,	Sweeper,
Concrete mixer,	Salt,	Tool,
Derrick,	Sanding,	Tool and block,
Dirt spreader,	Scale test,	Water,
Ditching,	Snow dozer,	Weed burner,
Dump,	Snow drags,	Wrecking.
Dynamometer,		
Grading,		
Gravel,		

42. FLOATING EQUIPMENT

To this account should be charged the cost of marine or floating equipment of all kinds, including all appurtenances, furniture, and fixtures necessary to equip them for service, purchased or built at the company's shops or yards, including cost of transportation.

NOTE.—The following equipment is classified as floating equipment:

Barges,	Ferryboats,	Steamboats,
Canal boats,	Lighters,	Steamships,
Car and other floats,	Power launches,	Transfer boats,
Dredges,	Power lighters,	Tugboats.
	Scows,	

III. GENERAL EXPENDITURES**43. LAW EXPENSES**

To this account should be charged expenditures of the following nature, incurred during the progress of the construction of a road, namely, the pay and expenses of all counsel, solicitors, and attorneys, their clerks and attendants and expenses of their offices; law books, printing briefs, legal

forms, testimony, reports, etc.; fees and retainers for services of attorneys not regular employees of the company; payments to arbitrators for the settlement of disputed questions; costs of suits and payments of special fees, notarial fees, and witness fees; and expenses connected with taking depositions; also all legal and court expenses.

When any of the expenses above enumerated can be charged directly to the account for which incurred, they should be so charged and not to this account.

(Expenses in connection with condemnation of right of way or station and other grounds should be charged to account No. 2 "Right of Way and Station Grounds," or account No. 3 "Real Estate.")

44. STATIONERY AND PRINTING

To this account should be charged cost of stationery, stationery supplies, postage and printing blank books and forms used by all classes of employees in the prosecution of construction work not otherwise provided for.

45. INSURANCE

To this account should be charged insurance premiums paid on property of the line under construction and before the road is opened for operation.

NOTE.—Where insured property is damaged or destroyed the account to which such property was charged should be credited with the amount of insurance recovered in respect thereof.

46. TAXES

To this account should be charged State, county, township, city, school, road and all other taxes and assessments levied and paid on property belonging to the company, while under construction and before the road is opened for commercial operation, except special taxes assessed for street and other improvements, such as grading, sewerage, curbing, guttering, paving, sidewalks, etc., which should be charged to the account to which the property affected was charged.

47. INTEREST AND COMMISSIONS

To this account should be charged cash commissions and the actual cash value of other commissions on securities sold; interest, cash commissions, and the actual cash value of other commissions on loans effected and on notes issued for money borrowed for construction purposes or for purchase of equipment; interest on overdue payments to contractors or other creditors; and interest, cash commissions, and the actual cash value of other commissions and exchange on other commercial paper issued for similar purposes. Interest on bonds and other securities, including equipment bonds or car trust notes, paid or accrued during construction and before

line is opened for operation, is chargeable to this account. To this account should be credited all interest received on moneys acquired for purposes of purchase or construction of road or equipment.

48. OTHER EXPENDITURES

To this account should be charged organization expenses, including the payment of all necessary fees; the cost of printing certificates of stock and bonds, with payments to trustees and expenses incurred in the disposal of securities; salaries and expenses of executive and general officers of a road under construction; clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, with the furniture and office expenses; also all items of a special and incidental nature which can not properly be charged to any other account in this classification.

FORM OF GENERAL BALANCE SHEET STATEMENT

FIRST REVISED ISSUE EFFECTIVE JUNE 15, 1910

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, May 31, 1910.

TO CARRIERS CONCERNED:

The Form of General Balance Sheet Statement, First Issue, was promulgated under date of June 21, 1909, and carriers were advised that it would be incorporated in the forms for annual reports to the Interstate Commerce Commission for the year ending June 30, 1910, unless modified by an order of the Commission before that date.

On December 15, 1909, there was issued Special Report Series Circular No. 9, in which was required a statement of assets and liabilities as of June 30, 1909, in accordance with the form mentioned above. In connection with the report in this circular, criticisms and suggestions were requested pertinent to the making of such corrections or emendations as would not involve the fundamental principles established. The consideration of the returns thus obtained has led to some modifications embraced in the present revision.

The revised form as now issued will be incorporated in the forms for the annual reports of carriers concerned for the year ending June 30, 1910.

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EXPLANATORY NOTE.

The accounts prescribed in the Form of General Balance Sheet Statement are, in some instances, net balances or the sums of balances from other accounts. It is not required that all the accounts prescribed in this classification shall be kept under the exact titles given to the accounts herein prescribed, but it is required that the accounts necessary to record the transactions reflected herein shall be kept, it being permissible to keep such additional accounts as may be necessary to make any further analysis of the balance-sheet entries desired by the respondent company.

The term "cost or book value," as applied to various accounts representing securities owned, is intended to recognize the option of the respondent company of carrying its investments in securities either at cost or at a reasonable valuation other than cost. Whenever securities are acquired, they are to be entered on the books at cost. If, subsequently, the company desires to adjust their value on account of substantial appreciation or depreciation, the entries in its books with respect to such securities, as well as its annual reports to the Commission, should clearly show the reasons for making the adjustments.

Contingent assets and liabilities should not be included in the body of the balance-sheet statement, but should be shown in detail in a supplementary statement accompanying the balance sheet. Contingent assets represent possible sources of value contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include obligations which may, under certain conditions, become obligations of the respondent company, but are neither direct nor assumed obligations on the date of the balance sheet.

TEXT EXPLANATORY OF ACCOUNTS APPEARING IN THE GENERAL BALANCE SHEET STATEMENT.

ASSETS.

PROPERTY INVESTMENT.

I. ROAD AND EQUIPMENT.

B 1-A. Investment to June 30, 1907.

This account should include the balances carried in the General Ledger showing the book value of Road and Equipment as it stood on June 30, 1907, subdivided between (a) Road and (b) Equipment, when the subdivision can be accurately made.

B 1-B. Investment since June 30, 1907.

This account should include the cost of all property, classifiable as Road and Equipment or Additions and Betterments, acquired since June 30, 1907,

less deductions for property abandoned. The amount included herein should be subdivided: (a) Road, (b) Equipment, (c) General Expenditures.

NOTE.—When any equipment is acquired under a so-called trust agreement or any agreement which provides that the cost shall be paid in installments, the cost (its cash value at time of purchase) should be charged to Additions and Betterments at the time of its acquisition and included in the foregoing accounts in the same manner as is the cost of equipment purchased outright. When the par value of notes or other securities issued in payment, or in part payment, for such equipment is more (or less) than the actual cash value of the equipment at the time of the purchase, or of the proportion to which the securities are applicable, the difference between the par value of the securities and the actual cash value of the equipment, or of the proportion paid for by the securities, should be credited (or charged) to the proper Discounts and Premium accounts. (See account B 20.)

B 1-c. Reserve for Accrued Depreciation—Cr.

This account should include amounts charged, with respect to equipment or other property in service at the date of the balance sheet, to Operating Expenses (or to other accounts) to cover depreciation on such property.

*** The total of accounts B 1-A and B 1-B should be drawn down on the balance-sheet statement and the amount of account B 1-c deducted therefrom, the difference being shown as the total of Road and Equipment.

II. SECURITIES.

B 2. Securities of Proprietary, Affiliated, and Controlled Companies—Pledged.

This account should include the cost or book value of securities of proprietary, affiliated, and controlled companies whose property is used by or forms a part of the railway system of the respondent company, which securities are pledged as collateral security for any of the respondent company's funded debt or other outstanding obligations. It should also include the cost or book value of securities of union depot, terminal, bridge, ferry, and similar companies whose property is used by the respondent company in the transaction of its own transportation business, when said securities are pledged as security for outstanding obligations.

Amounts reported in this account should be classified under the sub-headings: (a) Stocks, (b) Funded Debt, (c) Miscellaneous.

B 3. Securities Issued or Assumed—Pledged.

This account should include the par value of securities issued by the respondent company and of securities issued by other companies, the payment of which has been assumed by the respondent company, that have been pledged as collateral for other securities issued.

The par value of securities reported in this account should also be included in liabilities under the general account "Stock" or "Mortgage, Bonded, and Secured Debt."

Amounts reported in this account should be classified under the sub-headings: (a) Stocks, (b) Funded Debt, (c) Miscellaneous.

NOTE.—This account is not intended to cover securities that are merely guaranteed.

B 4. Securities of Proprietary, Affiliated, and Controlled Companies—Unpledged.

This account should include the cost or book value of unpledged securities of proprietary, affiliated, and controlled companies whose property is used by or forms a part of the railway system of the respondent company, the securities being held for the purpose of preserving the integrity of the system. There should also be included in this account the cost or book value of securities of union depot, terminal, bridge, ferry, and similar companies whose property is used by the respondent company in the transaction of its own transportation business, when said securities are unpledged.

Amounts reported in this account should be classified under the sub-headings: (a) Stocks, (b) Funded Debt, (c) Miscellaneous.

NOTE.—This account is not intended to cover securities that are considered as "Marketable Securities."

III. OTHER INVESTMENTS.

B 5. Advances to Proprietary, Affiliated, and Controlled Companies for Construction, Equipment, and Betterments.

This account should include the balances in open accounts, representing cash advanced to proprietary, affiliated, and controlled companies to enable such companies to pay for construction, equipment, and additions and betterments when such advances are of a permanent nature or when it is understood and intended that the respondent company shall be reimbursed by issuing to it the debtor company's securities, and that such securities when received shall be charged to account B 2 or account B 4.

NOTE.—Advances to cover any expenditures that may not properly be charged to the accounts prescribed in the Classification of Expenditures for Road and Equipment and for Additions and Betterments, should not be charged to this account but to account B 17 (a). Advances for the purposes stated in the text of this account, the amount of which it is proposed to recover in cash or in securities not necessary for corporate control, which may be sold or held as free assets, should also be included in account B 17 (a).

B 6. Miscellaneous Investments.

(a) *Physical Property.*—This account should include investments of a permanent nature in physical property other than that held for the operation of the company's property as a transportation agency. It should include such items as investments in coal and other mines, mineral and timber lands, saw-mills and other manufacturing plants, lands and other property acquired and held in anticipation of future use, second-hand and other rails and track material leased to industries or to tram or other roads not owned or controlled by the respondent company, buildings (not used in transportation operations) held for rent, and other property, not a part of the company's plant for the maintenance and operation of the property devoted to furnishing transportation and facilities incidental thereto.

(b) *Securities—Pledged.*—This account should include investments, not

provided for in accounts B 2, B 3, and B 4, in securities pledged as collateral for other securities issued or assumed. It should include the cost or book value of securities held as permanent investments, such as securities of steamship lines, express companies, railway companies (not in the transportation system of the respondent company), and other enterprises, and memberships of permanent value in boards of trade and other commercial organizations.

(c) *Securities—Unpledged.*—This account should include investments, not provided for in accounts B 2, B 3, and B 4, in securities held unpledged and not held as marketable securities (account B 9). It should include the cost or book value of securities held as permanent investments, such as securities of steamship lines, express companies, railway companies (not in the transportation system of the respondent company), and other enterprises, and memberships of permanent value in boards of trade and other commercial organizations.

WORKING ASSETS.

B 7. Cash.

This account should include current funds in the hands of financial officers and agents, deposits in banks or with trust companies available for use on demand, including deposits to pay declared dividends or matured coupons, and cash in transit for which agents and conductors receive current credit.

B 8. Securities Issued or Assumed—Held in Treasury.

This account should include the par value of securities issued by the respondent company and the par value of securities issued by other companies, the payment of which has been assumed by the respondent company, that are held unpledged in the company's treasury or by its agents or trustees, except trustees of sinking funds or other similar funds.

The par value of securities reported in this account should also be included in liabilities under the general account "Stock" or "Mortgage, Bonded, and Secured Debt."

This account should be subdivided to show: (a) Stocks, (b) Funded Debt, (c) Miscellaneous.

NOTE A.—The term "Securities," as used in this account, includes all authorized certificates of stock and evidences of indebtedness which have been signed, sealed, and when required, certified by the trustees under the mortgage or contract; and stocks, bonds, and other evidences of indebtedness, issued and assumed, which have been actually sold and reacquired. When any securities have been actually issued to bona fide holders for value, or after issue by another company have been assumed by the respondent company, and after such issue or assumption are reacquired under circumstances which require that they shall not be treated as paid or retired, they should be included in this account at par value; the difference between the par value and the amount paid in reacquiring such securities should be debited (or credited, as the case may be), to Profit and Loss, and any loss sustained or gain realized from the subsequent sale of such securities should be debited or credited to Profit and Loss, except that when securities issued or assumed by the company have been purchased for invest-

ment of sinking funds or similar funds they should be charged to the trustees of the funds at cost.

NOTE B.—This account is not intended to cover securities that are merely guaranteed.

B 9. Marketable Securities.

This account should include the cost or book value of all securities, except securities issued or assumed by the respondent company, held in the company's treasury unpledged and free for sale and not necessary or desirable for the respondent company to hold for the purpose of maintaining the integrity of its transportation system. These securities should be classified as (a) Stocks, (b) Funded Debt, and (c) Miscellaneous.

B 10. Loans and Bills Receivable.

This account should include the book value of all collectible obligations in the form of loans and bills receivable or other similar evidences of money receivable on demand or within a time not exceeding one year.

NOTE.—This does not include time loans which mature more than one year after date of issue, considered as investments, or loans to proprietary, affiliated, or controlled companies, such as are described under accounts B 5 and B 17 (a).

B 11. Traffic and Car-Service Balances Due from Other Companies.

This account should include the net amount due from other companies against each of which there is a net debit balance in the total of the accounts representing interline freight, passenger, and baggage revenues, and charges for equipment interchanged on a per diem or a mileage basis.

B 12. Net Balance Due from Agents and Conductors.

This account should include the net balance due in current accounts from agents and train, sleeping-car, and dining-car conductors, train auditors, porters, and other employees and representatives charged with the collection or custody of current revenues.

NOTE.—Amounts advanced to general and special agents as working funds should not be included in this account but in account B 17 (b).

B 13. Miscellaneous Accounts Receivable.

This account should include amounts due for audited accounts considered good, such as those due from the United States or other governments for the transportation of mails and government property, and from express companies for express facilities furnished under contract; amounts due from other carriers on account of freight claims paid; miscellaneous bills against other railway companies, corporations, firms, and individuals; rents collectible; interest collectible on bills and accounts receivable, and on mortgages, deposits, and securities; dividends declared and collectible but not paid; and other similar items.

NOTE.—The amount to be reported under this account is not the net balance between accounts B 13 and B 37.

B 14. Materials and Supplies.

This account should include the balances representing the cost, less depreciation, if any, of all unapplied material, such as road and shop material, articles in process of manufacture by the company, stationery, dining-car and other commissary supplies, etc.

B 15. Other Working Assets.

This account should include items of working assets not covered by accounts B 7 to B 14, inclusive. It is intended to include asset items that have not reached the stage of audited accounts properly classed under account B 13, and yet have been advanced beyond the stage of accounts properly classed under account B 26. This account includes such items as claims in process of collection from parties at fault on account of fines imposed by postal authorities; amounts due from other roads for mileage or tickets honored for which reports or accounts have not been received from or rendered to other roads; advanced charges billed out on waybills not reported received at the end of the month; and other similar items.

ACCRUED INCOME NOT DUE.**B 16. Unmatured Interest, Dividends, and Rents Receivable.**

This account should include the amount of dividends declared on stocks owned, dividends accrued on such stocks when contracts require that the dividends be paid at stated times, and interest on loans made and rents under leases, accrued to the date of the balance sheet, but not due or collectible until after that date.

DEFERRED DEBIT ITEMS.**B 17. Advances.**

(a) *Temporary Advances to Proprietary, Affiliated, and Controlled Companies.*—This account should include balances in open accounts representing cash advanced to proprietary and subsidiary companies, to enable such companies to pay interest on their funded debt, for deficits resulting from the operation of such companies, and for other purposes of a similar nature; also advances to proprietary, affiliated, and controlled companies to enable them to pay for construction, equipment, and additions and betterments, when it is understood and intended that the advances shall be repaid in cash or by issuing to the respondent company the debtor company's securities, and that such securities, when received, shall be sold or held in the treasury as free assets.

NOTE.—When the securities referred to in this account are to be held in order to maintain the integrity of the railway system, the amounts advanced should be included in account B 5, and transferred, when the securities are received, to account B 2, if pledged, or to account B 4, if not pledged.

(b) *Working Funds.*—This account should include amounts advanced to general and special agents, officers and employees of the engineering department, and other officers and employees as working funds from which certain

expenditures are to be made and accounted for. It also includes advances to fast freight lines and union depot and other terminal companies as working funds to be used in paying the current expenses of such companies in advance of regular monthly settlements.

(c) *Other Advances*.—This account should include other advances not properly classifiable under (a) and (b) above or under account B 5.

B 15. Rents and Insurance Paid in Advance.

This account should include the balances in the accounts representing prepaid rents, which are to be charged to the appropriate rental accounts under Income as the term is consumed for which the rents are paid; also insurance premiums paid in advance of their accrual, which premiums are to be apportioned and charged, as they accrue, to appropriate expense accounts.

B 19. Taxes Paid in Advance.

This account should include the excess of taxes paid over the accrued amount properly chargeable against Income (or other accounts) to the date of the balance sheet.

B 20. Unextinguished Discount on Securities.

Ledger accounts should be raised to cover the discounts and premiums on each class of capital stock and each class of funded debt securities sold by the company. When securities which have been issued or assumed by the respondent company except securities which have been sold and reacquired are sold or exchanged by or for the respondent company for a consideration the actual money value of which, at the time of such sale or exchange, is less than the value of the securities at par and the accrued interest thereon, if any, the discount suffered should be debited to the account raised for Discounts and Premiums on securities of the class to which these still belong. Premiums realized from such sale or exchange should be credited to the account so raised. If the net balances in the accounts covering discounts and premiums on the different classes of capital stock sold and the different classes of funded debt securities sold be debit balances, they should be included in the balance-sheet statement as follows:

1. *Unextinguished Discount on Capital Stock*.—If the net of the balances in the Discounts and Premiums accounts for all classes of capital stock sold is a debit balance, the amount should be stated in this account. This balance should be carried on the balance sheet until extinguished by premiums realized on subsequent sales of stock by assessments levied on the stockholders, by appropriations of income or free surplus for the purpose, or by retiring the stock. When any stock is retired, the proper Discounts and Premiums account should be adjusted by crediting to it an amount equal to the unextinguished discount on such stock.

2. *Unextinguished Discount on Funded Debt*.—If the net of the balances in the Discounts and Premiums accounts for all classes of funded debt sold is a debit balance, the amount should be included in this account. At or before the close of each fiscal period, there should be charged to Income

(and credited to the Discounts and Premiums accounts in which the discount is carried) such proportions of the discount on outstanding debt obligations as may be applicable to that period. This proportion should be determined according to a rule the uniform application of which throughout the interval between the date of sale and the date of maturity will extinguish the discount on funded debt. In order that the discount may be extinguished earlier, the company may, at its option, charge to Profit and Loss all or any portion of the discount on funded debt remaining at any time unextinguished; but the charge to Income for any period must not exceed the proportion applicable to that period and a charge should be made for each period so long as any portion of the discount remains unextinguished.

NOTE A.—No two stocks should be considered as of the same class unless they are equal in their voting rights, their dividend or interest rights, and the conditions under which they may be retired. No two issues of funded debt should be considered as of the same class unless they have the same mortgage or other lien or security, rate of interest, interest dates, and date of maturity.

NOTE B.—In no case should discount on securities be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible.

B 21. Property Abandoned, Chargeable to Operating Expenses.

This account is intended as a suspense account to which may be charged certain costs representing important pieces of property abandoned because of improvement or betterment work when the cost of such property would, if included in the operating expenses for a single year, unduly burden such accounts for that year. It is to be used only after permission of the Interstate Commerce Commission has been asked and given and is not to be applied to lands abandoned or to equipment retired from service. Amounts included in the account are to be redistributed to operating expenses through a period of years, the number of which will be determined when permission to use the account is granted, and the balance remaining unextinguished on the date of the balance sheet should be included herein.

To this account (when authorized by the Interstate Commerce Commission) may be charged such amounts as are required by the Classification of Expenditures for Additions and Betterments to be charged to operating expenses for property abandoned because of additions and betterments work.

NOTE.—The phrase "unduly burden such accounts," used above, should not be interpreted as meaning that a carrier is at liberty to make charges for abandoned property directly to operating expenses, or to operating expenses through the account "Property Abandoned, Chargeable to Operating Expenses," in view of its financial ability to make such charges directly in one year and its inability to make such charges in another year.

B 22. Special Deposits.

This account should include amounts realized from the sale of securities and held by trustees for disbursement when the purposes for which the securities are sold are accomplished; amounts realized from the sale of property and held by trustees until the property is replaced; special depos-

its (other than in sinking funds) for the payment of debts and interest, not matured; also money and securities (except securities included in accounts B 2, B 3, and B 6) deposited to insure the performance of contracts; and other deposits of a special nature not elsewhere provided for.

B 23. Cash and Securities in Sinking and Redemption Funds.

This account should include the amount of cash and the cost or book value of live securities in the hands of trustees of sinking and other funds for the purpose of redeeming outstanding obligations; also, amounts deposited with such trustees on account of mortgaged property sold.

B 24. Cash and Securities in Insurance and Other Reserve Funds.

This account should include the ledger balances covering the amount of cash and the cost or book value of securities in the hands of trustees or managers of insurance funds, depreciation funds, and other funds that have been raised and specifically set aside or invested by the company for specific purposes (except special deposits, provident funds, and sinking funds for the retirement of obligations).

B 25. Cash and Securities in Provident Funds.

This account should include the ledger balances covering the amount of cash and the cost or book value of securities in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds (whether contributed by the company, by employees, or by others), when such trustees or managers are acting for the company in the administration of such funds. If such funds are held in the company's treasury unidentified and not invested, they should be included in account B 7.

B 26. Other Deferred Debit Items.

In this account should be included suspense accounts showing debit balances that can not be entirely cleared and disposed of until additional information is received, such as freight claims paid when found to be correct, but in advance of investigation with other carriers; charges for work done or materials furnished for which bills have not been received from the proper departments; items awaiting adjustment between accounts, such as cost of work done in advance of receipt of proper authority or appropriation; accounts covering the cost of operation of gravel pits and quarries to be apportioned on output; debit balances in "Shop Expense" and "Store Expense" accounts; also amounts to be spread over a stated term not provided for in accounts B 20, B 21, or elsewhere, and debit balances in operating reserve accounts to be cleared by future charges to operating expenses.

PROFIT AND LOSS

B 27. Balance.

When the Profit and Loss account shows a debit balance the amount of which exceeds the appropriated surplus included in accounts B 48 and

B 49, the amounts in those accounts should be stated on the credit side of the balance sheet in the item column only, and their total should be transferred to the debit side of the balance sheet immediately following Profit and Loss—Balance from which it should be deducted, the difference being extended as the net deficit. (See account B 50.)

LIABILITIES

STOCK

B 28. Capital Stock.

This account should include the total par value of certificates or receipts issued to represent permanent interests in the respondent company or interests which, if terminable, are so only at the option of the company. The amounts included in this account should be divided so as to show: (1) The par value of certificates (pledged or unpledged) held in the company's treasury, by its agents or trustees, or otherwise subject to its control; (2) The par value of certificates issued and outstanding and not held by the company, its agents or trustees, or subject to its control.

The amounts included herein should be further subdivided so as to show the amount of each class of stock issued, as follows:

(a) *Common Stock*.—Stocks whose claims in the distribution of dividends are subordinate to the claims of all other stocks.

(b) *Preferred Stock*.—Stocks having a first claim upon such dividends as may be distributed.

(c) *Debenture Stock*.—Stocks issued under a contract to pay a specified return at specified intervals.

(d) *Receipts Outstanding for Installments Paid*.—Receipts for payments on account of subscriptions to capital stock. When certificates are issued for amounts so paid, the par value should be included in the account covering the class of stock for which the certificates are issued.

NOTE A.—When a general levy or assessment is made against the holders of capital stock, requiring the payment of any sum for the use of the company in addition to the consideration agreed upon at the time of sale, the amount collected upon such levy or assessment should be credited to the Discounts and Premiums account for the class of stock on which the assessment is made.

NOTE B.—For the purposes of the balance-sheet statement, capital stock is considered as "issued" when certificates are signed and sealed and placed with the proper officer for sale and delivery. All capital stock issued and not canceled is considered to be "outstanding."

B 29. Stock Liability for Conversion of Outstanding Securities of Constituent Companies.

This account should include the company's liability under agreements to exchange its capital stock for the outstanding securities of constituent companies whose physical property has been acquired under such agreements, but whose securities have not yet been surrendered for exchange.

B 30. Premiums Realized on Capital Stock.

When any issue of capital stock is sold or exchanged by or for the

respondent company for a consideration the actual money value of which exceeds the par value of the stock at the time of such sale or exchange, the premium so realized should be credited to a ledger account provided for discounts and premiums on the class of stock sold. (See account B 20.) If the net of the balances in the accounts for discounts and premiums on all classes of stock sold is a credit balance, the amount should be included in this account. This balance should be carried permanently on the balance sheet unless extinguished by discounts suffered on subsequent sales of stock or by retiring the stock. When any stock is retired, the proper Discounts and Premiums account should be adjusted by debiting it with an amount equal to the unextinguished premium on such stock.

MORTGAGE, BONDED, AND SECURED DEBT

B 31. Funded Debt.

There should be included in this account the total par value of outstanding funded debt issued by the respondent company, and the total par value of outstanding funded debt issued by other companies, the payment of which has been assumed by the respondent company.

The amounts included in this account should be divided so as to show: (1) The par value of certificates or other evidences of funded debt (pledged or unpledged) held in the company's treasury, by its agents or trustees, or otherwise subject to its control; (2) The par value of certificates or other evidences of funded debt issued and outstanding and not held by the company, its agents or trustees, or subject to its control.

The amounts included herein should be further subdivided as follows:

(a) *Mortgage Bonds*.—Bonds secured by a lien on the property of the company, except as provided in the other subdivisions of this account.

(b) *Collateral Trust Bonds*.—Bonds secured by a lien on securities or other commercial paper. Stock trust certificates that are similar in character to collateral trust bonds should be included under this heading, as should also all collateral trust notes.

(c) *Plain Bonds, Debentures, and Notes*.—Unsecured certificates of indebtedness. Short-term notes (having a date of maturity one year or less from date of issue) given in payment of temporary indebtedness should not be included under this heading. Short-term notes secured by collateral should be classed with collateral trust bonds. Debentures should be clearly distinguished from debenture stock.

(d) *Income bonds*.—Bonds which are a lien on a carrier's revenue alone, or bonds which, while being a lien on its road and franchises, can claim payment of interest only in case interest is earned.

(e) *Equipment Trust Obligations*.—Equipment bonds, equipment notes, or car-trust notes secured by a lien on specific equipment, such lien having been created in connection with the acquisition of the equipment securing the obligations.

(f) *Miscellaneous Funded Obligations*.—All funded obligations not provided for by the other subdivisions of this account, including real estate mortgages executed or assumed, and other similar obligations.

(g) *Receipts Outstanding for Funded Debt*.—Receipts for payments on account of funded debt. When certificates are issued for amounts so paid, the par value should be included in the account covering the class of funded debt for which the certificates are issued.

NOTE.—For the purposes of the balance-sheet statement, bonds are considered as “issued” when they are certified by trustees and placed with the proper officer for sale and delivery. All bonds issued and not canceled are considered to be “outstanding.”

B 22. Receivers' Certificates.

This account should include the par value of outstanding certificates, notes, or other obligations issued by receivers in charge of and operating the property of a carrier, and the par value of certificates, notes, or other obligations issued by receivers and assumed upon reorganization.

B 33. Obligations for Advances Received for Construction, Equipment, and Betterments.

Proprietary, affiliated, and controlled companies should show in this account the amounts advanced to them for construction, equipment, and additions and betterments expenditures, when such advances are made by the controlling company under the conditions described in account B 5.

WORKING LIABILITIES

B 34. Loans and Bills Payable.

This account should include the balances representing obligations outstanding in the form of loans and bills payable or other similar evidences of indebtedness payable on demand or within a time not exceeding one year from date of issue, except secured notes proper to be included in account B 31.

B 35. Traffic and Car-Service Balances Due to Other Companies.

This account should include the net amount due to other companies in favor of each of which there is a net credit balance in the total of the accounts representing interline freight, passenger, and baggage revenues, and charges for equipment interchanged on a per diem or a mileage basis.

B 36. Audited Vouchers and Wages Unpaid.

This account should include the amount of audited vouchers or accounts, and audited payrolls unpaid on the date of the balance sheet. It should include balances representing unclaimed wages and outstanding pay and time or discharge checks issued in payment of wages.

B 37. Miscellaneous Accounts Payable.

There should be included in this account unpaid and outstanding drafts drawn by station agents, unpaid and outstanding drafts drawn on the company in settlement of freight claims, conductors' rebate and extra-fare checks not presented for redemption, meal checks and tickets outstanding,

deposits of controlled companies, and other items of the nature of demand liabilities not covered by accounts B 34, B 35, B 36, B 38, and B 39.

NOTE.—The amount to be reported under this account is not the net balance between accounts B 13 and B 37.

B 38. Matured Interest, Dividends, and Rents Unpaid.

This account should include the amount of dividends payable on capital stock and unpaid, uncalled for, or unclaimed at the date of the balance sheet, including dividends payable on the first day following that for which the balance sheet is made; the amount of matured and unpaid interest on the funded debt of the respondent company, and of other companies when payment has been assumed by the respondent company, including interest which matures on the first day following that for which the balance sheet is made; unpaid dividends on the stock and unpaid interest on the funded debt of other companies when same are payable by the respondent company as all or a portion of the rent due under leases; and all other rents due and payable for property held under leases.

B 39. Matured Mortgage, Bonded, and Secured Debt Unpaid.

This account should include the amount of matured mortgage, bonded, and secured debt payable but not yet paid, including bonds drawn for redemption through the operation of sinking and redemption fund agreements.

B 40. Working Advances Due to Other Companies.

Proprietary, affiliated, and controlled companies should include in this account the amounts advanced to them for general purposes, such as advances to pay interest on their funded debt (except interest proper to be included in account B 33), deficits resulting from their operation, and advances for construction, equipment, and additions and betterments, when such advances are made under the conditions stated in account B 17 (a).

B 41. Other Working Liabilities.

This account should include items of working liabilities not covered by accounts B 34 to B 40, inclusive. It should include liability items that have not reached the stage of audited liabilities and become actually payable, yet are obligations of the company and advanced beyond the stage of accounts properly classed under account B 47, such as retained percentages due contractors, to be paid on completion of contracts; deposits for construction of side tracks, to be refunded on the basis of an agreed percentage of the earnings from the traffic handled over the tracks; prepaid charges billed out on waybills not taken into the month's accounts; and other similar items.

ACCRUED LIABILITIES NOT DUE

B 42. Unmatured Interest, Dividends, and Rents Payable.

This account should include the amount of dividends on capital stock, interest on loans and funded debt, including interest on funded debt

assumed, and rents under leases, accrued to the date for which the balance sheet is made but not payable until after the first day following that date. There should be included also as rents accrued, the amount of accrued dividends on the stock and accrued interest on the funded debt of other companies when such dividends and interest are paid as all or a portion of the rent under leases from those companies.

B 43. Taxes Accrued.

This account should include the amount of Taxes accrued and charged against Income (or other accounts) in excess of the amount paid. When the respondent company leases the property of another company and, under the terms of the lease, agrees to pay or assume the taxes that may be levied upon or assessed against such property, the taxes accrued on such property should be included in this account and not in account B 42. When, however, the taxes are paid by the lessor company, the full amount of rent accrued to be paid by the lessee should be included in account B 42.

DEFERRED CREDIT ITEMS.

B 44. Unextinguished Premiums on Outstanding Funded Debt.

When any issue of funded debt is sold at a premium or issued for a consideration the actual money value of which, at the time of the sale of the funded debt, is greater than the par value of the securities sold and accrued interest thereon, if any, the premium so realized should be credited to a ledger account provided for discounts and premiums on the class of funded debt sold. (See account B 20.) If the net of the balances in the Discounts and Premiums accounts for all classes of funded debt sold is a credit balance, the amount should be included in this account. At or before the close of any fiscal period there should be credited to the Income of that period (and debited to the Discounts and Premiums accounts in which the premium is carried) such proportions of the premiums on outstanding debt obligations as may be applicable to that period. This proportion may be determined according to a rule the uniform application of which throughout the interval between the date of sale and the date of maturity of the debt will extinguish the premium at which such debt was sold.

B 45. Operating Reserves.

This account should include the ledger balances representing reserves created by charges to Operating Revenues or to Operating Expenses to provide for overcharge, personal injury, insurance, and other claims, and for similar purposes.

NOTE.—The credit balances in reserve accounts representing appropriations of income or surplus for sinking funds, etc., should not be included in this account. (See account B 49.) Reserves for accrued depreciation of property are included in account B 1-C.

B 46. Liability on Account of Provident Funds.

This account should include the ledger balances covering the amount

of cash and the cost or book value of securities in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds (whether contributed by the company, by employees, or by others), when such trustees or managers are acting for the carrier in the administration of such funds.

B 47. Other Deferred Credit Items.

Under this account should be included the amount of credit balances in suspense accounts that can not be entirely cleared and disposed of until additional information is received, such as collections by general agents and others to cover prepayment of shipments originating on the lines of other carriers; amounts realized from the sale of damaged, unclaimed, and over freight and held pending claim; switching charges of other carriers collected and held awaiting bills from such carriers; amounts received from the sale of mileage tickets to be disposed of as mileage is honored by the respondent or other carriers; amounts collected for milling-in-transit privileges, to be cleared when products are shipped; credit balances in "Shop Expense" and "Store Expense" accounts; and other similar items.

APPROPRIATED SURPLUS

B 48. Additions to Property since June 30, 1907, through Income.

This account should include the total amount of appropriated Income or Surplus expended since June 30, 1907, in the acquisition of property and for improvements, the cost of which is proper, under the classifications prescribed for such expenditures, to be included in the accounts making up the total of Road and Equipment, such as the cost of property used in the company's operations as a carrier, the proportion of the cost of projects involving additions and betterments required to be included in such accounts; also, amounts of appropriated Income or Surplus expended since June 30, 1907, in the discharge of the principal (less the discount, if any, suffered at the time of sale) of any indebtedness incurred in the acquisition or improvement of property the cost of which is included in the Road and Equipment accounts.

NOTE.—This account is intended to include only appropriations of Income or Surplus definitely set aside for the acquisition of property or for improvements the cost of which should be included in the Road and Equipment accounts as shown on the balance sheet. When property is purchased or improvements made by an advance of cash which is intended to be replaced with the proceeds of a subsequent sale of securities, the amount so advanced should not be included in this account; nor should there be included advances not intended to be replaced by securities, unless the amounts advanced have been definitely appropriated and are considered appropriated surplus as distinguished from profit and loss balance.

B 49. Reserves from Income or Surplus.

In this account should be grouped all appropriations of income or surplus held in reserve (except as covered by account B 46 and account B 48),

including unexpended balances of appropriations from Income or Surplus for additions and betterments. This account should be subdivided under the following heads:

(a) *Invested in Sinking and Redemption Funds.*—Amounts charged against Income or Surplus for sinking fund or redemption fund payments, and accretions to such funds in the hands of trustees.

(b) *Invested in Other Reserve Funds.*

(c) *Not Specifically Invested.*

PROFIT AND LOSS

B 50. Balance.

This account should include the credit balance in the Profit and Loss account.

When the Profit and Loss account shows a debit balance, the amount of which does not exceed the Appropriated Surplus included in accounts B 48 and B 49, the amounts in those accounts should be stated in the item column only, and the debit balance in Profit and Loss deducted from their total, the difference being extended to the total column as the net Appropriated Surplus. When, however, the debit balance in Profit and Loss exceeds the Appropriated Surplus as shown in accounts B 48 and B 49, the amounts in those accounts should be stated in the item column only, and the total of the two transferred to the assets side of the balance sheet as a deduction from the Profit and Loss debit balance on that side, the difference being extended as a net deficit. (See account B. 27.)

CLASSIFICATION OF LOCOMOTIVE-MILES, CAR-MILES, TRAIN-MILES

FIRST ISSUE

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF STATISTICS AND ACCOUNTS,
Washington, June 3, 1907.

TO CARRIERS:

This Classification of Locomotive-Miles, Car-Miles, and Train-Miles, with the text pertaining thereto, is issued in accordance with an order of the Interstate Commerce Commission, a copy of which will be found immediately preceding this letter. The rules which the Classification contains should be observed by carriers in the adjustment of all entries in operating expense, in operating revenue, or in any other accounts kept by them to which the rules pertain.

The Classification here promulgated was worked out at a conference with accredited representatives of the American Railway Association and of the Association of American Railway Accounting Officers, and, with a few minor exceptions, embodies the recommendations submitted by them. It may be proper to say that the arbitrary of six miles per hour for switching locomotives is accepted temporarily, pending an investigation the purpose of which is to determine whether or not this arbitrary conforms to the facts. This investigation will be undertaken by the Division of Statistics and Accounts in cooperation with a Subcommittee of the Committee on Statistical Inquiry of the American Railway Association.

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TEXT OF CLASSIFICATION OF LOCOMOTIVE-MILES.

REVENUE SERVICE

FREIGHT LOCOMOTIVE-MILES

Includes miles run by locomotives between terminals or stations with freight trains, also, miles run by locomotives between terminals or stations, with or without cabooses, going for or returning from this service; miles run by locomotives while assisting freight trains, either as pushers or double-headers; miles run while hauling the second cut of a freight train doubled over grades; miles run light by locomotives going to or returning from assisting freight trains, as pushers or double-headers; miles run light returning to train after having hauled the first cut of a freight train doubled over grades; miles run light by locomotive of a freight train to and from the next coaling station or water tank for coal or water; miles run light to pick up or assist a freight train at stations between train terminals; miles run to pick up and haul dead freight-train locomotives into terminals; also, miles run by locomotives coming from or going to engine-houses or turntables from freight-train service; *provided*, no miles be allowed for this latter service if the distance be one-half mile or less in one direction.

PASSENGER LOCOMOTIVE-MILES

Includes miles run by locomotives between terminals or stations with passenger, mail, and express trains, also, miles run by locomotives going for or returning from this service; miles run by locomotives while assisting passenger, mail, and express trains either as pushers or double-headers; miles run light by locomotives going to or returning from assisting passenger trains, as pushers or double-headers; miles run light by locomotive of a passenger train to and from the next coaling station or water tank for coal or water; miles run light to pick up or assist a passenger train at stations between train terminals; miles run to pick up and haul dead passenger-train locomotives into terminals; also, miles run by locomotives coming from or going to enginehouses or turntables from passenger-train service; *provided*, no miles be allowed for this latter service if the distance be one-half mile or less in one direction.

MIXED LOCOMOTIVE-MILES

Includes miles run by locomotives between terminals or stations with mixed trains, also, miles run by locomotives between terminals or stations, with or without cabooses or passenger-train cars, going for or returning from this service; miles run by locomotives while assisting mixed trains, either as pushers or double-headers; miles run while hauling the second cut

of a mixed train doubled over grades; miles run light by locomotives going to or returning from assisting mixed trains, as pushers or double-headers; miles run light returning to train after having hauled the first cut of a mixed train doubled over grades; miles run light by mixed-train locomotive to and from the next coaling station or water tank for coal or water; miles run light to pick up or assist a mixed train at stations between train terminals; miles run to pick up and haul dead locomotives from mixed trains into terminals; also, miles run by locomotives coming from or going to enginehouses or turntables from mixed-train service; *provided*, no miles be allowed for this latter service if the distance be one-half mile or less in one direction.

SPECIAL LOCOMOTIVE-MILES

Includes miles run by locomotives in special revenue service, such as locomotives hauling chartered trains, paid for either on the basis of a rate per mile run or a lump sum for the train; circus and theatrical trains run under contracts calling for payments of specified amounts for transportation between designated stations; chartered trains for the Federal or State Governments, carrying troops, munitions of war, camp outfits, etc.; miles run while assisting special-service trains, either as pushers or double-headers; miles run while hauling the second cut of a special-service train doubled over grades; miles run by locomotives between terminals or stations, with or without cabooses or passenger-train cars, going for or returning from special service; miles run light by locomotives going to or returning from assisting special-service trains, as pushers or double-headers; miles run light returning to train after having hauled the first cut of a special-service train doubled over grades; miles run light by locomotive of special-service train to and from the next coaling station or water tank for coal or water; miles run light to pick up or assist a special-service train at stations between train terminals; miles run to pick up and haul dead locomotives from special-service trains into terminals; also, miles run by locomotives coming from or going to enginehouses or turntables from special service; *provided*, no miles be allowed for this latter service if the distance be one-half mile or less in one direction.

SWITCHING LOCOMOTIVE-MILES

Includes miles allowed to locomotives while switching in yards (but not at shops for shop purposes), and allowed to train locomotives for performing switching service at terminals or way stations.

NOTE A.—Switching miles should be computed at the rate of 6 miles per hour for the actual time engaged in such service in excess of one hour at any one station.

NOTE B.—Miles run by switching locomotives helping trains out of terminals as well as miles run light returning to the yard after such service should be treated as "Freight," "Passenger," etc., according to the class of the train helped.

NONREVENUE SERVICE LOCOMOTIVE-MILES

Includes miles run by locomotives in the different classes of service described under "Nonrevenue Service Train-Miles," and, in addition, trial trips of locomotives, to be computed as follows:

(a) In case of trains of the freight class or of the passenger class and trial trips of locomotives, locomotive-miles should be the actual miles run by the locomotives.

(b) In case of trains of the work class the following rules should be applied: When orders are given to a work train to run to a certain point, to work between certain limits and return, the actual time-card mileage should be allowed between points named in the running order and, in addition, 6 miles per hour for time held between working limits. Work locomotives employed for switching at shops for shop purposes, for spotting cars in gravel pits, working with pile drivers, etc., should be allowed a mileage of 6 miles per hour for the actual time in service.

RULES FOR COMPUTING LOCOMOTIVE-MILES

1. All locomotive-miles made in hauling trains, except in helping and work-train service, should be based on the actual distance run between terminals, to be computed from the official time table or distance table, as prescribed for train-miles.

2. Helping miles of locomotives should be based on the actual distance made with trains in helping service or in doubling hills.

3. Work-train locomotive-miles should be computed according to the rules prescribed for work-train miles.

4. Light locomotive-miles should be based on the actual distance locomotives run light, or with only a caboose, for the entire distance between terminals.

TEXT OF CLASSIFICATION OF CAR-MILES.**REVENUE SERVICE****FREIGHT CAR-MILES**

Loaded—

Includes miles run by all loaded freight cars in freight service.

Empty—

Includes miles run by all empty freight cars in freight service.

Caboose—

Includes miles run by caboose cars in freight service.

PASSENGER CAR-MILES

Passenger—

Includes miles run by home and foreign passenger cars, combinations of passenger and baggage, passenger and mail, and passenger and Sleeping, Parlor, and Observation—

express cars, chair, and club cars, either in service or deadhead.

Includes miles run by home and foreign sleeping, parlor and observation cars, either in service or deadhead.

Other Passenger-Train Cars—

Includes miles run by home and foreign dining, café, and other cars devoted exclusively to the serving of meals or other refreshments; by home and foreign baggage, combination baggage and express, and combinations of baggage, mail, postal and express cars; by home and foreign mail, postal and express cars; also by milk cars in passenger trains; either in service or deadhead.

SPECIAL CAR-MILES

Freight, loaded—

Freight, empty—

Caboose—

Passenger—

Sleeping, Parlor, and Observation—

Other Passenger-Train Cars—

Includes miles run by the foregoing cars under their appropriate classes, in special revenue service as defined in the Classification of Train-Miles.

NONREVENUE SERVICE CAR-MILES

Includes miles run by cars in nonrevenue trains as defined in the Classification of Train-Miles.

TEXT OF CLASSIFICATION OF TRAIN-MILES.

REVENUE SERVICE

FREIGHT TRAIN-MILES

Includes miles run by revenue-earning trains to transport freight, which do not regularly include a car or cars devoted exclusively or principally to revenue passenger business; also miles run by trains consisting of empty freight cars and of trains consisting of a locomotive and a caboose running light between terminal stations on account of unbalanced traffic or other causes. When milk, express, baggage, or other cars are hauled in a freight train, their earnings should be classed as freight earnings and the miles of the train should be considered as freight train-miles. Freight trains that

regularly haul no passengers-service equipment, but transport passengers in a caboose should be classed as freight trains, as should also freight trains temporarily using a passenger car in place of a caboose.

PASSENGER TRAIN-MILES

Includes miles run by revenue-earning trains to transport passengers, baggage, mail, and express, also miles run by trains consisting of deadhead passenger equipment. When one or more cars other than regular passenger-train cars, such as milk cars, cabooses deadheaded back, etc., are hauled in a passenger train, the miles run by that train should be considered as passenger train-miles.

MIXED TRAIN-MILES

Includes miles run by revenue-earning trains to transport both passengers and freight in cars, each of which is devoted exclusively to either passenger business or freight business.

SPECIAL TRAIN-MILES

Includes miles run by revenue-earning trains, such as chartered trains, paid for either on the basis of a rate per mile run or a lump sum for the train; circus and theatrical trains run under contracts calling for payment of specified amounts for transportation between designated stations; chartered trains for the Federal or State Governments carrying troops, munitions of war, camp outfits, etc.

NONREVENUE SERVICE TRAIN-MILES

Includes miles run by trains which are not revenue producing, such as:

(a) Of the Passenger Class: Pay-trains, official trains, inspection trains for Railway Commissioners, special trains run to convey fire apparatus for use in saving the company's property from destruction by fire, and trains run to convey employees to and from work;

(b) Of the Freight Class: Material and supply trains; and

(c) Of the Work Class: Construction trains, trains hauling gravel or other ballast, or engaged in bank widening, ballasting, and other maintenance work; wrecking trains, repair trains, snowplows, and flangers.

RULES FOR COMPUTING TRAIN-MILES

1. Revenue Train-Miles should be based on the actual distance run between terminals and computed from the official time-table or distance table, the same as passenger-miles, ton-miles, and car-miles.

2. Revenue passenger trains and revenue mixed trains may incidentally carry private cars, official cars, work or service cars, or cars of related

classes; and revenue freight trains may incidentally carry cars containing railway material and supplies, or other freight which does not earn revenue; but whole trains of such cars should be regarded as nonrevenue trains and classed accordingly.

3. Nonrevenue Train-Miles should be based on the actual distance run between terminals. When work trains are run between terminals and not ordered to work at some specified point or within specified working limits, the actual miles run should be allowed to them, the same as to any other class of trains. When ordered to run to a certain point to work at that point or within specified working limits, the actual miles made while under running orders should be allowed to them, and in addition an arbitrary mileage of 6 miles per hour for the time working at the point or within the working limits named.

4 Each train and each section of a train run by a separate train crew should be considered a separate train, whether hauled by one or more locomotives for either the whole distance or a part of the distance between the train terminals. There should be nothing added to this distance to cover running from enginehouse to terminal, doubling hills, running for water, switching or other work at way stations, or for the service of helper or pusher locomotives or the extra locomotives on double or triple head trains.

5. Mileage of trains detoured over foreign roads when hauled by the locomotives and handled by the crews of the home company should be computed on the basis of miles actually run and classified by the detouring line in its train mileage in accordance with the service performed.

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NOTE. This index is a Consolidation of Account numbers, appearing in **bold face type**; and of case numbers, which are of two kinds: Ordinary type signifies that the case referred to may be found in Accounting Bulletin No. 4 (Decisions upon Questions Raised under Classification Prescribed by the I. C. C.) *Italicized* case numbers indicate that the cases appear in either of the two supplementary bulletins, circulars 12c and 12d.

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" work cars	43
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ice, for cars (freight)	31
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" (yard)	76
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Adzes and handles for M. of E. (when unassignable)	O. A. "Shop Expenses."
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Adzing for new rails at ballast pit.	2
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Agencies, outside, passenger and freight, salaries and all expenses including rent, (except stationery and printing, which is 59)	C. 244
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" " (electric)	28
" passenger cars	31
" work cars	43
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Air, compressed, for cleaning cars	89
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" yard and car cleaning purposes	16
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" track in buildings (not stations)	16
" track in stations and tunnels, on wharves, piers, track scales and inclines (except to and in fuel stations)	5
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Calendars in offices.....	" Stationery and Printing " and charged accordingly.
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Call bells for offices.....	Office expense where used.
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Callers, enginehouse, pay and supplies (road).....	81
(yard).....	72
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train, at stations, pay.....	63
of yardmen, and revenue trainmen.....	67
Cameras and supplies for M. of E.....	24
M. of W. & S.....	1
Camp cars, repairs of.....	43
Candles for cars in revenue service.....	89
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Cans, oil, for cars in revenue service.....	89
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(yard).....	72
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Cans, oil, M. of W. & S.	18
stations.	66
sprinkling, M. of E. (when unassignable)	O. A. "Shop Expenses."
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material used, pay and small tools, car repairs, according to work done.	31, 34, 43
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subaccount for trailers.	C. 237
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(yard).	75
oilers, pay, tools, supplies.	89
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B.

Babbitt hammers for M. of E. (when unassignable)	O. A. , 'Shop Expenses.'	
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Badges for station employees		66
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Baggage agent, general, pay and expenses		53
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cars, flat rate for use of, by theatrical parties	C.	439
" repairs		31
" revenue from packages carried in	C.	88
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payment of		100
detention, payment for		100
implements at station, for handling		66
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Baggage-express cars, repairs of		31
Baggage-mail cars, repairs of		31
Baggage men, at stations		63
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in buildings, not stations.....	16
purchase of.....	2
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Barges, tugs and floats, operations of, repairing wharves and other landings (when not "Outside Operations").....	17
Barometers.....	Office Expenses of office where used.
Barrels at water stations, for gasoline storage (road).....	83
(yard).....	74
water, for bridges.....	9
" " M. of W. & S.....	18
" " ice for stations.....	66
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Cars, heating, in non revenue service.....	Account benefited.
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icing, wages, tools and supplies.....	89
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when they can be restored by repairs.....	31, 34, 43
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leased, payments to mill company for use of.....	C. 650
lever, for M. of W. & S.....	18
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revenue service.....	89
mileage of non revenue, on revenue trains.....	C. 238
motor, inspection of, for M. of W. & S.....	18
(other than electric) in revenue service, locomotive feature.....	25
in passenger service, repairs to car feature.....	31
or trailer, classification of mileage for.....	C. 237
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Fruit cars, boards for flooring	89
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Fuel agents and clerks, pay and expenses of	73, 82
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forges at M. of E. shops (when unassignable)	O. A. "Shop Expenses."
M. of W. & S.	2, 18
gas pumping plants supplying gas to cars	89
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car inspectors' shanties	31, 34, 43
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rented building	C. 326
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shops, M. of E. (when unassignable)	O. A. "Shop Expenses."
stations, freight and passenger offices and other buildings (including all delivery expense)	66
water for cleaning cars	89
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inspectors, pay of	73, 82
locomotive, labor stocking	Added to cost of fuel.
loaded into tenders	73, 82
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Gages, gas for lighting passenger cars in revenue service (not " Outside Operations ")	
with pumping and hose	89
gas for lighting officials' cars	1, 24, 53, 61, 106, 107, 109
passenger cars	31
offices	Office Expense of office served.
stations, station grounds, station officer and other station buildings	66
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Gaging, track, labor, in ballast pit	2
in roadway and yards	6
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Gang planks for stations	66
Garbage and refuse, cost of removing from team tracks at stations	6, C. 475
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for	89
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M. of E. wages and supplies of (when unassignable)	O. A. "Shop Expenses."
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clerks of, pay and expenses of.....	53
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clerks of, pay of.....	67
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expenses of.....	70
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drinking for offices.....	Office Expense of office served.
for cars.....	89
stations.....	66
Glazing buildings.....	13, 16
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M. of E. (when unassignable).....	O. A. "Shop Expenses."
M. of W. & S.....	18
stations.....	66
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Gondola cars, repairs of.....	34
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Grass and weeds, cutting and burning along roadway.....	6
scythes for M. of W. & S.....	18

General, superintendent, rolling stock, pay and expenses of.....	24
clerks of, pay and expenses.....	24
superintendent of transportation, pay and expenses of.....	61
clerks of, pay and expenses of.....	61
ticket agent and assistant, pay and expenses of.....	53
clerks of, pay and expenses of.....	53
yard foreman, pay of.....	67
clerks of, pay of.....	67
expenses of.....	70
master, pay of.....	67
clerks of, pay of.....	67
expenses of.....	70
Generators and parts, for electric traction power plants.....	47
for lighting plants.....	16
for shop power plants.....	46
Glasses, drinking, for M. of E. (when unassignable).....	O. A. "Shop Expenses."
drinking for offices.....	Office Expense of office served.
for cars.....	89
stations.....	66
Glazing buildings.....	13, 16
Globes and chimneys, lamp at stations.....	66
lantern, for bridge watchmen (not at drawbridges).....	9
drawbridge tenders.....	92
highway crossing men.....	91
M. of E. (when unassignable).....	O. A. "Shop Expenses."
M. of W. & S.....	18
stations.....	66
trainmen, in revenue service.....	89
in non-revenue service.....	Charged to work done
yardmen.....	70
Gondola cars, repairs of.....	34
Gongs for locomotives.....	25
highway crossings.....	11
stations.....	66
Government, national, pay of attorneys in matters with.....	109, C. 617
national or state, notarial fees in connection with reports to.....	114, C. 622
suits, safety appliance law, expense of.....	50, C. 337
troops, revenue from special trains carrying.....	C. 325
Grade crossings, fences, cattle guards and signs.....	11
highway, repairs and renewals of.....	11
over and under, repairs and renewals of.....	10
sprinkling.....	11
Grades, changing, labor and material.....	6, C. 21
washed away, cost of replacing.....	C. 460
Grading, advertising for bids in connection with.....	C. 604
Grading cars, repairs of.....	43
station and shop grounds.....	16
Grain cribs, repairs and renewals of.....	16
doors, boards, temporary, receipts from sale of.....	89
fixed or permanent, for freight cars.....	34
for freight cars, temporary.....	89
elevators (when not "Outside Operations") repairs and renewals of.....	16, C. 67
inspection, payments to produce exchange.....	63, C. 199
payments to companies for service.....	C. 219
transferring en route, payments to elevator companies for.....	63, C. 300, 472
warehouses (when not "Outside Operations") repairs and renewals of.....	16
Graphite for drawbridge lubrication.....	92
Grass and weeds, cutting and burning along roadway.....	6
scythes for M. of W. & S.....	18

Grate shakers for locomotives.....	76, 85
Gravel for ballast.....	2
cars, repairs of.....	43
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cost of shanties, bunkhouses, offices and like buildings at ballast pit.....	2
pits, ballast, clearing account for expense of.....	C. 114
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tracks in.....	2
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at enginehouses.....	72, 81
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M. of E. shop machinery and tools and power plants (when unassignable)....	O. A. "Shop Expenses."
for pipe joint, for M. of E. (when unassignable).....	O. A. "Shop Expenses."
Greenhouses, repairs and renewals of.....	16
Grinding compound for M. of E. (when unassignable).....	O. A. "Shop Expenses."
Grindstones for M. of E. shops.....	46
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Grounds, rent of, on which tenants have constructed buildings.....	C. 328
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Guard-rail clamps, fasteners and frog blocks in ballast pits.....	2
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Guard-rail wires for electric traction.....	15
Guard-rails, cost of, in construction and additions and betterments work.....	C. 385
Guard train, in revenue service, pay of.....	88
Guards for bridge.....	9
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H.

Hack-saw blades for M. of E. (when unassignable)	O. A. "Shop Expenses."	
M. of W. & S.		18
Hammers, babbit, for M. of E. (when unassignable)	O. A. "Shop Expenses."	
B. S. compound for M. of E. (when unassignable)	O. A. "Shop Expenses."	
for cars.		89
for locomotives.		76, 85
for M. of E. (when unassignable)	O. A. "Shop Expenses."	
spiking, paving, and napping for M. of W. & S.		18
for stations.		66
for trains.		89
Hampers for stations.		66
Handbills for advertising.		55
Hand-car houses, repairs and renewals of.		16
car for M. of E. shops.		46
for M. of W. & S.		18
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for offices.	Expense account served.	
for train supply.		89
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saws for locomotives.		76, 85
for M. of E. (when unassignable)	O. A. "Shop Expenses."	
M. of W. & S.		18
stations.		66
train supplies.		89
tools, (small) and tool steel for M. of E. (when unassignable) ..	O. A. "Shop Expenses."	
trucks for roadway and track work, oil waste and supplies for.		18
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Handles, adze, file, fork, mop, etc., for M. of E. (when unassignable) ..		
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for M. of W. & S. tools.		18
for station tools.		66
Hangers, signal and bell cord, for passenger cars.		31
Harness for horses in general office service.		108
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at stations.		66
Hatchets for cars.		89
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M. of E. (when unassignable)	O. A. "Shop Expenses."	
M. of W. & S.		18
stations.		66
Hay cars, repairs of.		34
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Heat appliances, steam, for buildings.....	13, 16
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car inspectors' shanties.....	31, 34, 43
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plants at yards, operating.....	89
cars in non-revenue service.....	Account served.
in revenue service, pay and supplies for.....	89
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enginehouses.....	72, 81
fixtures in buildings.....	13, 16
in cars (permanent).....	31, 34, 43
furnaces for buildings.....	16
general offices.....	108
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on road.....	90
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locomotive fuel stations.....	73, 82
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M. of E. shop offices (when unassignable).....	O. A. "Shop Expenses."
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offices.....	Office Expense of office served.
M. of E.....	24
M. of W. & S.....	1
of traffic solicitors.....	84
train dispatchers.....	62
stations, supplies.....	66
pay of employees.....	63
storehouses.....	O. A. "Storehouse Expenses."
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Heliographs.....	Charged under Stationery and Printing.
Helpers, at roundhouses, pay of.....	C. 203
Highway bridges, overhead.....	10
crossing gatekeepers and flagmen, pay of and supplies used by.....	91
planks, repairs and renewals.....	11
crossings not at stations or in yards, electric light for.....	91
expenses of opening up to illuminate grade crossings.....	10
grade crossings, repairs and renewals of.....	11
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treatment of rent of a locomotive for use in switching service for three roads ..	C. 368
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of equipment	Income Account.
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switch engines used at a joint terminal	C. 520
Hoes, ash, for locomotives	76, 85
for M. of E. (when unassignable)	O. A. "Shop Expenses."
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for stations	66
Hods, coal	An Office Expense of office served.
Hoisting engines at locomotive coaling plants	16
cost of operating	73, 82
for M. of W. & S.	18
Hoists, ash and coal	16
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(power and hand) at shops	46
Holes, ballast test, sinking	2
Hooks for ash pits	72, 81
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clinker for locomotives	76, 85
coat. for passenger cars	31
curbing for M. of W.	18
at engine houses	72, 81
fire for M. of E. stationary boilers (when unassignable)	O. A. "Shop Expenses."
for locomotives	76, 85
for lubricating cars	89
meat, retinning	89
Hoops, order, for cars	89
packing, for cars	89
stations, for handling freight	66
Horses carrying flagmen preceding trains in city streets (yard limits) expense of ..	70
and keep in general office service	108
at M. of E. shops (when unassignable)	O. A. "Shop Expenses."
for purchasing department	O. A. "Purchasing Department Expenses."
for storehouses	O. A. "Storehouse Expenses."
and vehicles for stations	66
Hose carts for fire hose	16
couplings except fire) for stations	66
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" cinderpits and washing out boilers	72, 81

How for cleaning cars	84
" locomotive fuel stations (except fire)	73, 82
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" M. of E. shops (when unassignable)	O. A. "Shop Expenses."
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" sprinkling grade crossings (including pipes and water)	11
" stations (except fire)	66
" fire purposes	16
gas, for supplying cars	89
houses, repairs and renewals of	16
reels for fire hose	16
locomotives	76, 83
(other than fire) for M. of E. shops (when unassignable)	O. A. "Shop Expenses."
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Medical and Insurance funds, adjustment of reserves in, and treatment of ex- penses incident to	C. 419
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Houses at ballast pits	2
not used in connection with rail operations, rent of	C. 139, 141
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power, for electric traction, equipment of	47
repairs and renewals of	16
all such (when not "Outside Operations") as boarding, eating, freight, hose, power, pump, tool houses, etc.	16
Hydrants	16
for cleaning cars	16
Hydraulic jack compound for M. of E. (when unassignable)	O. A. "Shop Expenses."
and other portable jacks at shops, repairs and renewals of	46
outfits for M. of W.	13
rams	16

L

Ice barrels for stations.....	66
boxes for freight cars.....	34
passenger cars.....	31
stations.....	66
buckets for cars.....	89
stations.....	66
carts for stations.....	66
chests (if part of structure).....	16
cutting, to protect docks and wharves (when not " Outside Operations ").....	17
for cars.....	89
in non-revenue service.....	Accounts served.
of officials.....	1, 24, 53, 61, 108, 109
for drinking water (including oatmeal) for M. of W. & S. repair men.....	18
for general offices.....	1, 24, 53, 61, 108, 109
for restaurants leased to outside parties.....	66, C. 136
for offices.....	Office Expense account served.
for outside agencies.....	54
for shops, M. of E. (when unassignable).....	O. A. " Shop Expenses."
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for stations.....	66
picks and tongs.....	Follow cost of ice.
piling and protection to prevent damage from (when not " Outside Operations ").....	17
removing from M. of E. transfer tables and shop yards (when unassignable)....	O. A. " Shop Expenses."
station platforms, walks, at stock pens, pay of employees.....	63
switches.....	7
switches, salt for.....	7
tracks.....	7
turntables.....	72, 81
yard tracks.....	7
tanks for passenger cars.....	31
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tongs for stations.....	66
in water tanks, breaking and thawing.....	74, 83
houses, cost of cleaning and filling.....	Add to cost of ice, C. 624
repairs and renewals of, including machinery.....	16
Icing cars, pay of employees, cost of ice and tools incidental to.....	89
charges collected from other companies and individuals.....	89
and watering cars in non-revenue service.....	Accounts served.
of officials.....	1, 24, 53, 61, 106, 107, 109
charges, when borne by shipper and when amount collected represents a profit.....	89, C. 538
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Immigrant cars, repairs of.....	31
Immigration and industrial agents, pay and expenses of.....	58
bureaus, expenses of.....	58
Implements, hand, for handling freight and baggage at stations.....	66

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Improvements, public, assessments for (when not Betterments)	6, 16
Incandescent lamps	See also "Electric lamps."
lamps and carbons for lighting M. of E. shops and yards (when unassignable)	O. A. "Shop Expenses."
for lighting stations, station offices, and other station buildings	66
Inclines, coal chutes (including tracks thereon and delivery of superstructure material)	16
fuel station, tracks on, including cost of delivery tracks, superstructure material	16
to pontoons, slips, bulkheads and jetties (when not "Outside Operations")	17
Indexes	20, 49, 58, 59, 97, 113
Industrial companies, payment to, for services of switching locomotive	C. 220
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Information bureaus at stations, pay and expenses of employees	63
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Shops, blacksmith, car, carpenter, machine and locomotive, repairs and renewals.....	16
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for engine houses.....	72, 81
for locomotives.....	76, 85
for M. of E. (when unassignable).....	O. A. "Shop Expenses."
for M. of W. & S.....	18
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Scrap, when identity is lost.....	C. 174
material, collected along line of road and sold.....	C. 514
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Scrapers for roadway.....	18
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Screens (machinery).....	16
for locomotive sand.....	85
for work cars.....	43
Scrip, county, profits from purchase below face value.....	C. 596
Scrub brushes for car cleaning.....	89
for offices.....	Office Expense account of office served.
stations.....	66
Scythes.....	18
Seal presses, car.....	66
Sealers, car, at stations, pay of.....	63
Sealing station scales.....	66
Seals, car.....	66, C. 340
and sealing wax.....	Stationery and Printing account of office served.
Seat boxes for locomotives.....	25, 28
keys for cars.....	89
Seats, car, cleaning.....	89
of passengers cars, reupholstering.....	31
Secretary of Y.M.C.A. and like organizations, pay of (unless exclusively for shopmen).....	89
Secretary, clerks of, pay and expenses of.....	107
office expenses of.....	108
pay and expenses of.....	106
Section houses, repairs and renewals of.....	16
houses, water supplied to.....	16, 18, C. 459
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signs.....	11
Securities given as commission, discount on.....	C. 234
owned, manner of stating on general balance sheet.....	C. 546
Semaphore lamps (not exclusively in yards) supplies for.....	90
in yards having regular switching service, supplies for.....	70
Semaphores and semaphore lamps, repairs and renewals of.....	13
in yards having regular switching service, supplies for.....	70
Semi-automatic signals, repairs and renewals of.....	13
Separators for electric traction power plants.....	47
Settees for offices. See "Furniture."	
stations.....	66
Sewer pipes for buildings.....	13, 16
pipes draining roadway, placing and cleaning.....	6
pipes laid under tracks.....	9
or street repairs, assessments for.....	6, 16
or street repairs at crossings, assessments for.....	11
and water connections for electric traction power plants.....	47
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Sewing machines at shops, repairs and renewals of.....	46
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Shades in connection with lighting cars, cost of.....	39
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for stations.....	66
for towers (signal).....	70, 80
Shafting for electric traction power plants.....	47
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Shafting (other than electric traction and shop power plants).....	16
at shops.....	46
Shakers, grate, for locomotives.....	76, 85
Shanties, highway crossing.....	16
Shears.....	Stationery and Printing accounts served.
Sheds, car, repairs and renewals of.....	16
lumber, repairs and renewals of.....	16
snow, repairs and renewals of.....	12
Shellac for M. of E. (when unassignable).....	O. A. "Shop Expenses."
for painting buildings.....	13, 16
Shelving (when a part of the structure).....	16
Shims.....	2, 5, 16
Shippers' claims, notarial fees in connection with affidavits of employees concern- ng.....	99, 109, C. 607
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Shoeing horses in M. of E. shop service.....	O. A. "Shop Expenses."
in station use.....	66
Shop accountants M. of E. pay of (when unassignable).....	O. A. "Shop Expenses."
clerks, M. of E., pay of.....	24
employees, M. of E. pay of (when unassignable).....	O. A. "Shop Expenses."
expenses, clearing account.....	See Classification of Open Accounts.
expenses, clearing accounts.....	C. 173, 179, 183
heating, lighting, water, watchmen, power and incidentals when unassignable to any particular M. of E. account.....	O. A. "Shop Expenses."
joint facility operation, incidental to.....	C. 393
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and M. C. B. rules.....	C. 257
power house, connection with.....	C. 177
power for shop purposes.....	C. 60
foremen and assistants, M. of E., pay of and supplies for (when unassignable). O. A. "Shop Expenses."	
foremen distinguished from general foremen.....	C. 248
grounds, fences, hedges, walls, sidewalks and streets, within limits of or imme- diately adjacent thereto, repairs of.....	16
grading, draining, mowing, beautifying.....	16
machinery and tools.....	46
platforms, repairs and renewals.....	16
test rooms and laboratories, M. of E. supplies for (when unassignable).....	O. A. "Shop Expenses."
yards, M. of E., removing snow and ice from (when unassignable).....	O. A. "Shop Expenses."
Shops, blacksmith, car, carpenter, machine and locomotive, repairs and renewals.....	16
bridges and building department, machinery and tools at, repairs and renewals..	46
car, machinery and tools at, repairs and renewals.....	46
carpenter, maintenance of machinery in.....	46, C. 311
cost of license for stationary engineer at.....	C. 499
locomotive, machinery and tools at, and repairs and renewals.....	46
percentage added to joint track bills, to cover cost of.....	C. 441
track superstructure in.....	16
tracks in, repairs and renewals.....	16
Shorthand notebooks.....	Stationery and Printing account served.
Shovels at ballast pits.....	2
for cars.....	89
for coaling stations.....	73, 82
for engine houses.....	72, 81
for locomotives.....	76, 85
for M. of E. (when unassignable).....	O. A. "Shop Expenses."
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